THE WHITE HOUSE
WASHINGTON

DATE: 7/3/93

TO: GEORGE S.
DEE DEE MYERS

FROM: **JOHN D. PODESTA**
Assistant to the President and
Staff Secretary

The attached has been forwarded to the President.

THE WHITE HOUSE

WASHINGTON

4963

July 2, 1993 '93 JUL 2 P10:46

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Congressional Reaction to Your Statement on Vietnam Policy

The reaction from the Hill to your statement today on Vietnam was very positive. In addition to the letter signed by 19 Members of Congress, the following Members released individual statements or letters in support of your decision on Vietnam:

Representative Lee Hamilton, D-Indiana
Senator John Kerry, D-Massachusetts
Senator John McCain, R-Arizona
Representative Pete Peterson, D-Florida
Representative Wayne Gilchrest, R-Maryland

Representative Peterson also will be going on radio this evening to endorse your announcement. Senator Kerry also is willing to appear on radio and/or television programs tonight and tomorrow. So far, there has been no visible reaction from the families.

We have invited Ann Mills Griffiths to accompany the delegation but she has not yet responded.

Attachment
Tab A Letters and statements from Members of Congress

cc: Vice President
Chief of Staff
David Gergen

George
Dee Dee

Congress of the United States

FOR IMMEDIATE RELEASE: Friday, July 2, 1993

VIETNAM-ERA MEMBERS IN CONGRESS SUPPORT PRESIDENT'S DECISION TO APPROVE MULTINATIONAL LENDING TO VIETNAM

Members of Congress who are Vietnam-era veterans support President's Clinton decision to withdraw opposition to international loans to Vietnam.

A letter sent to the President this week by a bi-partisan group of House and Senate members recommended he take this step. The letter said further progress and cooperation on the POW-MIA issue was in jeopardy if the U.S. did not make a gesture to acknowledge the contributions of the Vietnamese.

The lawmakers said allowing Vietnam to reschedule its debt at the upcoming meeting of the IMF would be a strong signal that the United States recognizes Vietnam's efforts.

They said delaying action on the IMF issue would send out the wrong signal to the Vietnamese that the U.S. is not serious about advancing the process now in place between the two countries.

"We believe that (allowing Vietnam to reschedule its debt) is the next logical step in our efforts to get a full accounting of our missing servicemen in Southeast Asia," the letter stated.

Attached is a copy of the letter and a list of signees:

Congress of the United States
House of Representatives
Washington, DC 20515

July 1, 1993

President Bill Clinton
The White House
1600 Pennsylvania Ave N.W.
Washington, DC 20500

Dear Mr. President:

We are Vietnam-era veterans in Congress who are deeply concerned over your upcoming decision regarding the Vietnamese government's debt to the International Monetary Fund (IMF). We believe that this could be the most critical decision our government makes in our efforts to resolve the POW/MIA issue and we encourage you to make a timely decision to allow the Vietnamese to reschedule their debt.

On June 2, a bipartisan delegation of Senators, Representatives and members of national veterans organizations, led by Senator John Kerry, returned from a trip to Vietnam in which they sought answers to questions surrounding the POW/MIA issue. During their stay, the delegation met with our personnel with the Joint Task Force - Full Accounting (JTF-FA) and high-level officials from the Vietnamese government. After two days of intense discussion and meetings, the delegation came to the conclusion that there is now a country-to-country process in place that is making significant progress on many of our unresolved POW/MIA cases. We concur with this conclusion.

Yet, we believe that this process, and the cooperation and progress it represents, is in jeopardy if our nation does not make a gesture to acknowledge the contributions of the Vietnamese. If Vietnam is not given a signal by our government that it recognizes the significant contributions it is making, it may very well discontinue its efforts. The Vietnamese believe that they are cooperating with our requests to review documents, interview Vietnamese citizens and search the countryside. This is also the belief of our people on the ground in Vietnam. Major General Needham, Commander of the JTF-FA in Vietnam, and a decorated Vietnam veteran, emphasized his belief to the Kerry delegation that our nation needs to send a signal to the Vietnamese.

We believe that allowing Vietnam to reschedule its debt at the upcoming meeting of the IMF would be a strong signal that the United States recognizes Vietnam's efforts. Japan and France have indicated their willingness to assist the Vietnamese in paying their debt, yet both countries have withheld their support at the request of the United States. Our aquiescence to the French and Japanese proposal would allow this repayment to go through. And we should make this decision as swiftly as possible. We believe that any effort to delay action on this matter would be a strong signal to the Vietnamese that we are not serious about advancing the process now in place between our two countries.

There is much at stake with this decision. At risk is the only process we now have to give the families of our POW/MIAs any answers on the fate of their loved ones. While we do not advocate normalization at this time, we believe that we must acknowledge Vietnam's efforts in order to keep the country-to-country process alive and maintain positive incentives to encourage continued cooperation.

We believe that this is the next logical step in our efforts to get a full accounting of our missing servicemen in Southeast Asia. We hope that you will consider this as you review the debt restructuring issue.

Sincerely,

JOHN F. KERRY
U.S. Senate

JOHN MCCAIN
U.S. Senate

DOUGLAS "PETE" PETERSON
Member of Congress

DAVID E. BONIOR
Member of Congress

LANE EVANS
Member of Congress

JIM KOLBE
Member of Congress

DAVID SKAGGS
Member of Congress

LARRY LAROCCO
Member of Congress

Wayne T. Gilchrest

Bobby J. Rush

H. Martin Lancaster

Chris Dodd

Sonny Montgomery
G.V. (SONNY) MONTGOMERY
Member of Congress

Paul McHale

Chuck Robb

For Immediate Release
Contact: Christopher Madison 225-4598

Hamilton Lauds Clinton Policy on Vietnam

Washington 7/2 – Rep. Lee H. Hamilton, D-Ind., chairman of the Committee on Foreign Affairs, today released the following statement on President Clinton's policy announcement on Vietnam:

"I strongly support the President's decision to allow new international lending for Vietnam and to send high-level officials to Hanoi to discuss the issues which still divide our two countries. I hope that progress in accounting for U.S. Prisoners of War and Missing in Action will enable the President to let the U.S. embargo of Vietnam expire in September.

"The United States has several interests in Vietnam. The first is to secure the fullest possible accounting of our POWs and MIAs. The second is to bring about a constructive Vietnamese role in Southeast Asia, particularly in Cambodia. The third is to ensure that U.S. business can compete fairly in a market that has great, long-term potential for U.S. exports. The fourth is to promote human rights and political pluralism.

"The time has come to pursue our multiple interests in Vietnam through engagement and an enhanced presence in the country.

"Vietnam has complied with its obligations under the Paris Agreement on Cambodia, which has helped lay a foundation for peace in that troubled country. Vietnam has also cooperated with the United States in resolving a number of POW/MIA cases since 1991, providing access to documents, crash sites, and other sources of information.

"The action that the President has taken today is a significant step toward the normalization of U.S.-Vietnamese relations. The President's decision enhances U.S. political and economic interests, and provides Hanoi with incentive to cooperate further on POW/MIAs. The President has displayed both political courage and a clear understanding of the national interest. I urge support for his initiative."

##

Release 93-22

JOHN KERRY
MASSACHUSETTS

United States Senate
WASHINGTON, DC 20510

FOR IMMEDIATE RELEASE

July 2, 1993

CONTACT: Larry Carpman
202-224-2742

Kerry Issues Statement On President's Vietnam Announcement

Sen. John Kerry today issued the following statement in reaction to the President's announcement on Vietnam:

"I think the President needs to act in the national interest of the United States of America, and the first interest we have is to guarantee the fullest possible accounting.

"I personally believe that by moving on the loans, the President greatly enhances our ability to get answers for our families. It is a good decision for the families and for the country, because it will facilitate the process of accountability of the MIA/POW issue.

"We have seen some very specific results on the POW/MIA accounting issue. We have gone from 196 cases where we knew nothing of what happened to our soldiers down to less than 92, where we now know the fate of what happened to those people. I personally have visited Vietnamese prisons, I've been in camps, I've been in their military headquarters, we've had interviews with their top military people, we've had access to their top prison people, we have countless documents we've received.

"No one can say those aren't results. Now for some people they may not get the result they personally want, and we all feel that agony. But the fact is, Vietnam is working side-by-side with our troops, in the field--in great danger, in many cases, where there is unexploded ordnance. And they are producing results.

"I believe Vietnam is doing an enormous amount to cooperate with us under the circumstances. Is there more to be done? Yes, there is more to be done. But, this action today will help facilitate our ability to do the 'more.' The President's action will help us move the accountability process. He is acting in the national interest, and I commend him for it. I think it is the right thing to do for the POWs and MIAs. It's the right thing to do, keeping faith with the people who fought with us and helped us in Vietnam. It's the right thing to do for our interest in the region strategically. It's the right thing for us to do in terms of our world leadership."

News from
John McCain
U.S. Senator • Arizona

Contact: Scott Celley
(202) 224-2235
TDD: (202) 224-7132

FOR IMMEDIATE RELEASE:
Friday, July 2, 1993

McCAIN ANNOUNCES SUPPORT FOR CLINTON MOVE ON VIETNAM

(Washington, D.C.) -- Senator John McCain announced today his support for President Clinton's decision to allow Vietnam to resolve its outstanding debts to the International Monetary Fund. "This limited move," McCain observed, "is necessary to ensure that the accounting process for our POW/MIAs, which has been working very well lately, continues. I believe that progress in relations with Vietnam are in our national security interest."

Senator McCain recently returned from a Memorial Day trip to Vietnam. "During that trip I discussed in detail with Joint Task Force -- Full Accounting (JTF-FA) personnel the level of Vietnam's cooperation," McCain said. "Every American serviceman involved in the last two joint investigations in Vietnam reported complete Vietnamese cooperation in all facets of the investigations. Both General John Vessey, the President's Emissary to Vietnam for POW/MIA Affairs, and General Tom Needham, the Commander of JTF-FA, assured me that taking this step to encourage continued Vietnamese cooperation was necessary at this time."

Along with the Executive Director of the National League of Families of POW/MIAs, Anne Mills Griffith, Senator McCain was an early supporter of President Bush's "roadmap" policy to reward Vietnamese cooperation on POW/MIAs and a peaceful settlement of the Cambodian conflict with gradual progress toward better relations. "Clearly, Vietnam has met its obligations under the provisions of the roadmap that warrant this particular move forward," McCain said.

Senator McCain concluded by saying that "further progress toward better relations will, of course, depend on continued Vietnamese cooperation. But I believe President Clinton has taken an important step today that will help to hasten the day when we have at last the fullest possible accounting for our POW/MIAs. It is a step fully consistent with the President's commitments to veterans and to the families of our POW/MIAs. I strongly commend him for it."

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PETE PETERSON
2D DISTRICT, FLORIDA

COMMITTEE
ON
APPROPRIATIONS
SUBCOMMITTEES:
ENERGY AND WATER
RESOURCES
AGRICULTURE AND RURAL
DEVELOPMENT

Congress of the United States
House of Representatives
Washington, DC 20515-0902

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For Immediate Release
July 2, 1993

Contact: Suzanne Farmer
Phone: 202/225-5235

PETERSON SUPPORTS U.S. POLICY CHANGE TOWARD VIETNAM

WASHINGTON--U.S. Congressman Pete Peterson, D-Marianna, expressed his strong support for President Clinton's announcement that the United States will drop opposition to a Japanese- and French-led proposition to refinance Vietnam's debt to the International Monetary Fund (IMF), allowing Vietnam access to international financing.

Peterson, who has traveled to Vietnam on fact-finding missions with two separate Congressional delegations over the past three years, said, "I applaud the efforts of the President to move to a closer relationship with Vietnam. I am particularly pleased that he has listened to the advice of those of us who have been deeply involved in the POW/MIA issue for many years. I am convinced that the removal of U.S. opposition to IMF loans for Vietnam will enhance efforts for getting the fullest possible accounting of our POW/MIAs."

Peterson also said, "While I support this shift in policy of incremental improvement in our relations with Vietnam, I stop short of recommending normalization of relations between the U.S. and Vietnam at this time."

Congressman

Wayne Gilchrest

MARYLAND'S FIRST DISTRICT (202) 225-5311

July 2, 1993
For Immediate Release

Contact: Maria Kelly
(202) 225-5311

GILCHREST AGREES: Allow Vietnam to restructure its debts to help speed full accounting of American POW/MIAs cases.

WASHINGTON -- Congressman Wayne T. Gilchrest, R-MD, agreed with President Clinton's announcement Friday to lift U.S. opposition to a French-led proposal to refinance Vietnam's $140 million debt to the International Monetary Fund (IMF).

The President announced that the U.S. would no longer object to other nations clearing Vietnam's arrears in the International Monetary Fund. The IMF will meet on July 14, 1993, at which time it is expected the subject of Vietnam's arrears will be taken up.

The President's decision means that Vietnam may proceed to clear its arrears, restructure its $140 million debt, and then apply for additional international financing.

Congressman Gilchrest joined with 18 other Members of the U.S. House of Representatives and U.S. Senators, all Vietnam-era veterans, including Senators John F. Kerry, and John McCain, and Congressmen Pete Peterson (McCain and Peterson were both held as POWs for six years), David Skaggs, and Jim Kolbe, in writing to the President to encourage him to lift U.S. opposition to Vietnam clearing its debts with the IMF.

A bipartisan delegation of Senators, Representatives and members of national veterans organizations, led by Senator John Kerry, travelled to Vietnam in late May to further investigate questions about American POW/MIAs. The delegation met with U.S. personnel with the Joint Task Force- Full Accounting and high level officials from the Vietnamese government.

"The delegation came to the conclusion that a country- to-country process is in place that is making significant progress on many of the unresolved POW/MIA cases. This process is in jeopardy if the U.S. does not make a gesture to acknowledge the contributions of the Vietnamese."

"While we do not advocate normalization at this time" the letter read, "we believe that we must acknowledge Vietnam's efforts in order to keep the country-to-country process alive and maintain positive incentives to encourage continued cooperation. We believe that this is the next logical step in our efforts to get a full accounting of our missing servicemen in Southeast Asia."

The President also announced that he will send a delegation to Vietnam in July to press for further POW/MIA accounting and further progress that will be needed for any further steps in U.S. - Vietnam relations.

Congressman Gilchrest served in the U.S. Marine Corps in Vietnam in a infantry platoon from 1966-67, and received a Purple Heart.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

7-9-93

To Regina Montoya from J. Podesta

Fyi

July 9, 1993

MEMORANDUM FOR THE DIRECTOR

FROM: Joseph J. Minarik Joe

SUBJECT: Friday Economic and Financial Report

Summary

- Limited revenue growth, greater public demand for services, and voters' resistance to further tax increases challenge all levels of government. State governments are especially strained because most states must operate with balanced budgets.

- In addition, the rising costs of Medicaid and law enforcement have contributed to the deterioration in the state and local fiscal health over the past decade. These costs have been further increased by federal unfunded mandates. Mandates have surpassed reduced federal grants as a perceived problem for state and local governments.

- California's well-publicized budget woes point to the dilemma of coping with population pressures, rising welfare caseloads, and a declining revenue base. While not all the states have California-sized problems, all of them have been forced to make tough choices of restraining spending and/or raising taxes.

- The outlook for the state and local sector remains strained because of slow economic growth by post-war historical standards; limited direct federal funding; defense cutbacks; and anti-tax attitudes, especially in areas where tax rates have already climbed to high levels.

ROLLER COASTER OF STATE-LOCAL FISCAL POSITION

States and localities have experienced severe financial stress because of the escalating costs of domestic programs in the face of reduced Federal grants-in-aid and public resistance to higher taxes. The budgetary squeeze was aggravated by the near collapse of the real estate sector in several regions of the country during the second half of 1980s and by the downsizing of the defense industry. The situation reached crisis proportions during 1990-92 when, as a result of the recession and the subsequent weak recovery, many states were forced yet again to trim spending and initiate new revenue sources to meet their statutory or constitutional obligations of balancing their budgets.

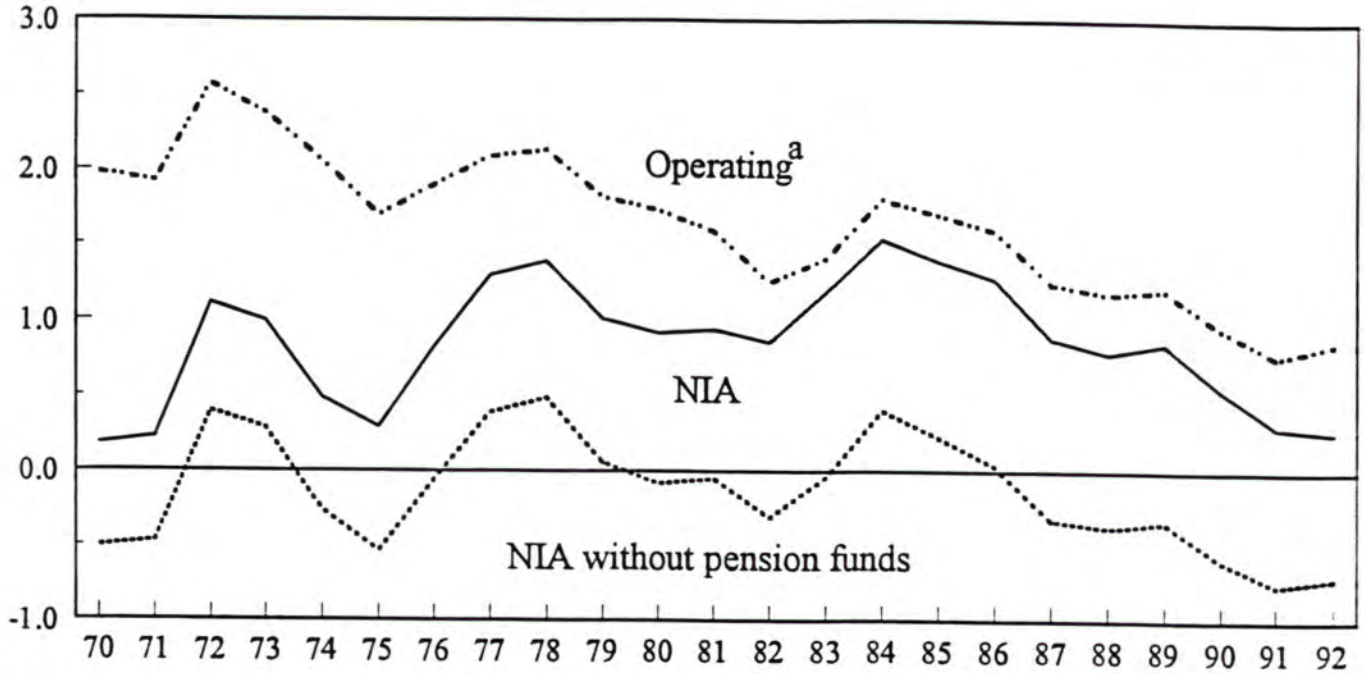
What have been the major changes in the fiscal position of state and local governments over the past 13 years, and what are the major contributing factors? How have these jurisdictions coped with the problems of reduced Federal grants resulting from mounting Federal budget deficits and changing priorities? What is the regional dimension of the fiscal crisis, especially in California and other large states that continue to make tough choices dealing with declining revenues and rising program costs? Finally, what lies ahead for state and local governments in a changed environment of the 1990s?

Deteriorating Fiscal Position

There are three broad measures of state and local fiscal position. The first refers to the National Income Account (NIA) budget surplus (deficit-), which includes everything state and local governments do. The second measure, also from the National Accounts, excludes the growing cash surpluses of state and local government employees' pension funds. The third measure, the "operating" budget surplus, excludes both employees' pension funds and state and local construction spending that is financed in part through borrowing.

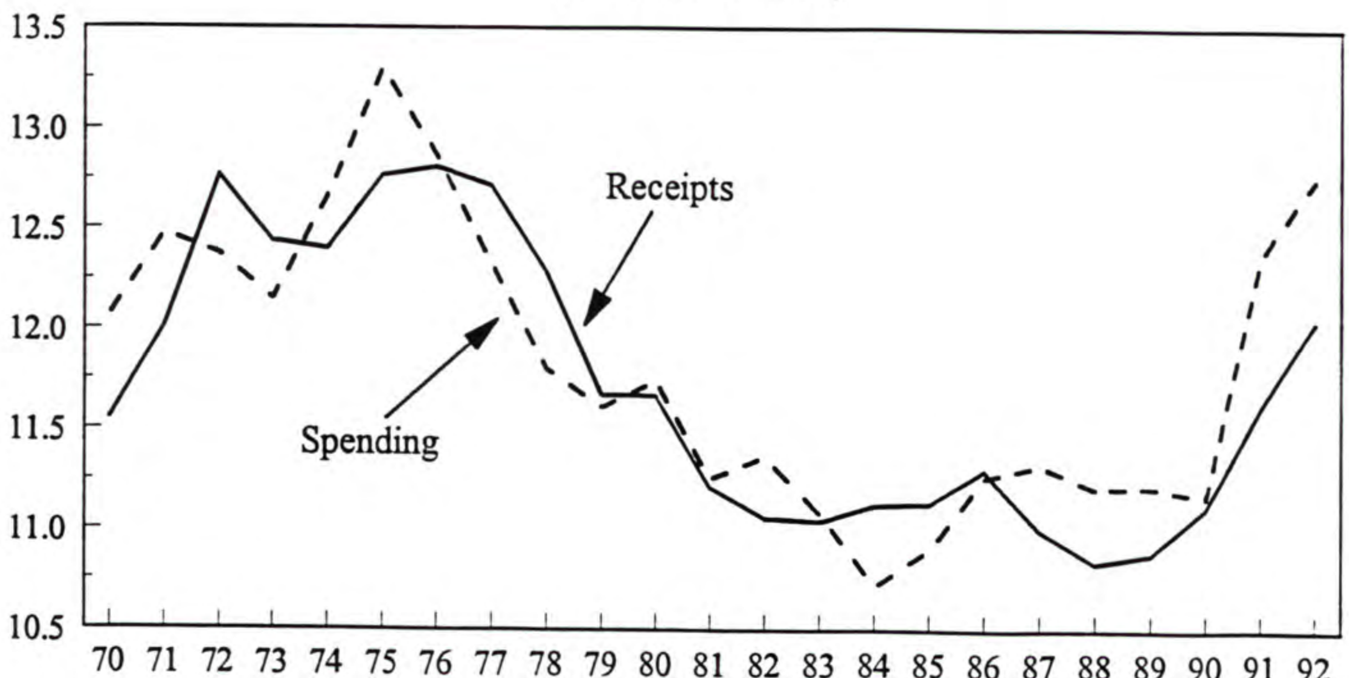
While the three measures differ in their assessment of the budget situation in any given year, they all show a marked deterioration in the fiscal position of states and localities since the mid-1980s. This is shown in Chart 1 below, which expresses the surplus (deficit-) as a percent of GDP. Chart 2 looks at the revenue and spending components of the NIA budget without pension funds to show the state and local governments' growing financial imbalance of recent years.

Chart 1
State and Local Budget Balances
(Percent of GDP)



[a]Excludes pension funds and construction spending.
Source: U.S. Department of Commerce, National Income and Product Accounts.

Chart 2
State and Local Receipts and Expenditures*
(Percent of GDP)



*Excludes pension funds, includes grants-in-aid.
Source: U.S. Department of Commerce, National Income and Product Accounts.

Several factors have aggregated state-local fiscal conditions, including: (1) the health of the national economy; (2) changes in federal grants-in-aid and other subsidies with implications for intergovernmental relations; (3) mandates and other federal policies inducing higher state-local spending on Medicaid, law enforcement and other programs; and (4) public opposition to new taxes. The following is a brief discussion of these factors, based on the works of Gold, Gramlich, Rivlin, and others.[1]

The Economy: State finances are cyclically sensitive, deteriorating during recessions but improving during expansions.

- o The last decade began with a nationwide economic downturn in July 1980 followed by a brief recovery and then another deeper recession ending in late 1982. That protracted period of weak economic activity took its toll, forcing many states and localities to cut services and/or raise taxes to balance their budgets.

- o Although the national economy experienced steady growth from late 1982 through 1989, it was only in the initial rapid expansion phase of 1983-84 that states enjoyed fiscal relief. The budget squeeze resumed in the second half of the decade and intensified in the recessionary period of the early 1990s, aggravated by the surge in Medicaid and other domestic program spending.

Intergovernmental Relations: Federal budgetary retrenchment and expanding regulation (mandates) have significantly changed intergovernmental relations over the past decade and a half. A major development relates to the cutbacks in federal grants-in-aid and the increased reliance by states and localities on their own revenue sources.

Nominal federal grants totalled $173 billion in 1992, or double the amount in 1980. A significant change has occurred in the composition of these grants. For example, about 60 percent of total federal grants were for health and income security in 1992, compared with only 36 percent in 1980.

Chart 3 traces changes in federal grants relative to total state and local governments' own-source revenues. It shows that the ratio rose during the 1970s, reached a peak in 1978, and declined sharply in the subsequent 10 years. It has, however, moved up since 1989. The recent rise is

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[1] Steven D. Gold, "Changes in State Government Finances in the 1980s," National Tax Journal 44, March 1991, pp. 1-19; Edward M. Gramlich, "The 1991 State and Local Fiscal Crisis" Brookings Papers on Economic Activity, No.2, 1991, pp.249-73; Alice M. Rivlin, Reviving the American Dream: The Economy, the States & the Federal Government, (Brookings Institution, 1992), especially chapter eight, pp. 126-52; Stephen Moore, "State Spending Splurge: The Real Story Behind the Fiscal Crisis in State Government," Cato Institute Policy No. 152, May 1991; and GAO Report to Congressional Committees, Federal-State Local Relations: Trends of the Past Decade and Emerging Issues, March 1990.

due largely to the surge in Medicaid costs that have put higher financial burdens on both state and federal governments. Medicaid is a program financed jointly by the two levels of governments.

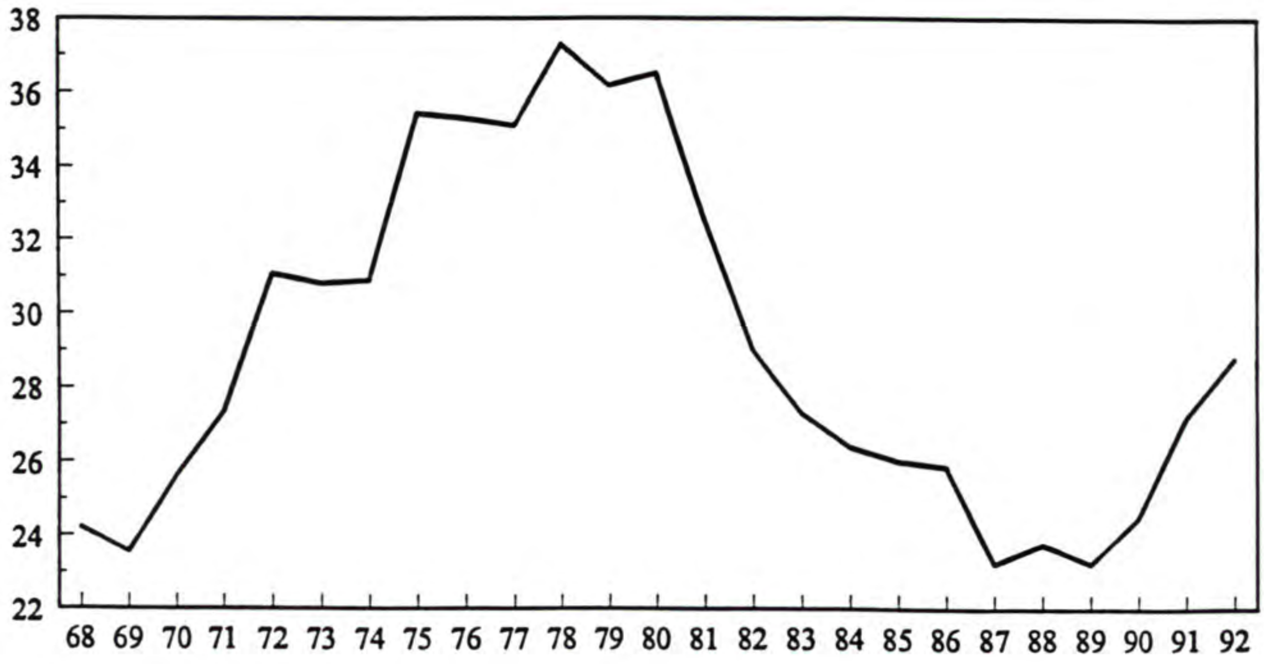
o At the state level, reported Medicaid costs soared 32 percent and 29 percent in 1991 and 1992, respectively.[2] Such large increases are, however, biased upward since many states have developed new ways to increase the federal contribution to their Medicaid programs.

  - Taxes and donation schemes allow the states to raise the federal matching contribution without increasing the real burden on state taxpayers. These schemes have been used to finance expanded medicaid services, but also other human and social services. In a few notorious cases, they have even been used to help pay for highway projects.

Chart 3

Federal Grants-in-aid to State and Local Governments

(Percent of state and local own revenue sources)



Source: U.S. Department of Commerce, National Income and Product Accounts.

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[2] Diane C. Swonk, "Fiscal Drag in the 1990s: A Look at State and Local Government Budgets," Trend Watch, the First National Bank of Chicago, June 1993, p.3.

The table below shows the composition of state and local own sources of revenue for selected years. There were marked shifts from indirect business to personal taxes in the 1970s, and from corporate to personal taxes in the 1980s. The shift away from indirect business taxes was largely confined to property taxes, a major source of revenue for local governments. Sales taxes have accounted for about a third of total state-local own revenues over the past two decades. It is worth noting that many states have found it necessary to broaden the sales tax base by extending coverage to services to avoid raising tax rates. Since 1990, twenty-seven states have added taxes on personal services such as health clubs, while twenty-eight states added taxes to business services such as janitorial services.[3]

Composition of State and Local Own Revenue Sources

	1970	1975	1980	1985	1990	1992
Total Revenues ($ billions)	95.2	154.1	243.0	385.6	539.6	601.1
	(Percent of total revenues)					
Indirect business taxes	78.5	75.1	70.9	70.4	70.1	70.3
Property taxes	38.5	34.6	28.3	27.7	28.8	30.1
Sales tax	33.2	33.5	34.1	34.0	34.0	33.4
Other	6.8	6.9	8.5	8.7	7.3	6.9
Personal taxes	17.6	20.1	23.1	24.4	25.7	25.5
Corporate taxes	3.9	4.8	6.0	5.3	4.2	4.2

Source: U.S. Department of Commerce, National Income and Product Accounts.

Mandates: Numerous unfunded or partially funded Federal mandates have been enacted in prior decades, which contributed to the recent budget crisis facing many state and local governments. Medicaid and corrections merit special attention since they have been the fastest growing programs. State Medicaid costs increased sharply over the past two years, partly because of the taxes and donation schemes discussed above. This reflected not only the high rate of price increase for medical services (twice the general inflation rate) but also prior federal mandates to expand Medicaid eligibility and services covered.

Court mandates for improvement in prison treatment and mandated longer prison sentences for some violations partly explain the surge in state-local corrections spending of recent years. Imposing more and longer sentences on criminals drives up spending, because the average cost to construct a prison cell is at least $50,000 and the average cost of maintaining a prison cell

[3] National Governors' Association, The Fiscal Survey of States, April 1993, p. 22.

is $25,000 per prisoner per year.[4] Another factor increasing spending has been court orders to relieve overcrowding and improve prison conditions.

Public Attitudes: The clearest anti-tax message was provided by California's Proposition 13 in 1978 that limited property tax rates. A recent test occurred in November 1990 when voters in seven states approved almost all the tax protest initiatives that appeared on the ballot. There is fear that more states will find themselves with less and less room to raise taxes because for many of them, especially on the two coasts, rates are already quite high.

Recent Developments: Regional Dimension

Three factors have dominated regional fiscal conditions over the past five years: sharply lower real estate values, defense cutbacks, and subnormal economic growth. These forces have hit the Northeast and the West much harder than other parts of the country. The problems experienced by such states as California and Massachusetts illustrate the fiscal dilemma facing many other states.

Both states have witnessed the unravelling of their success stories of the last decade, that period of rapid growth initiated by the expansion of the minicomputer industry and the defense buildup. Both rode the crest of the Nation's expansionary phase of the mid-1980s, driven in part by the speculative real estate boom. The changed economic climate is reflected in what happened to personal income, a good proxy for a tax base.

- California's personal income growth slowed from a 5.6 percent annual rate in 1982-89 to 4.6 percent in 1989-92. In Massachusetts, the annual rate of personal income increase decelerated from 5.9 percent to 3.2 percent in these two periods. By comparison, personal income growth at the national level remained essentially unchanged at about a 5 percent rate.

The pace of economic activity has improved significantly in Massachusetts and other New England states over the past year, but not in California. This is shown by recent changes in labor market conditions.

- The unemployment rate in Massachusetts fell from 9.3 percent in March 1991 (the trough of the last recession) to only 6.1 percent in June 1993.

- The jobless rate in California, on the other hand, rose from 7.5 percent to 9.3 percent.

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[4] Steven D. Gold, ibid, p.12

California's continuing financial distress is clearly evident in its year-end balance and in the austere FY 1994 state budget that was signed into law on July 1, 1993.

- o The state's year-end balance is estimated at -$2.1 billion in fiscal 1993, representing -5.1 percent of total expenditures. All other states, except Vermont, are estimated to have zero or positive year-end balances in fiscal 1993.

- o Governor Wilson has just signed into law a $52 billion budget for the coming fiscal year. To balance the budget, the spending plan calls, among other things, for:

  - -- A $2.6 billion (6.3 percent) cut in general fund spending. The reductions will come in aid to welfare recipients and universities, as well as in other services and administrative costs.

  - -- An increase in prison spending to keep pace with the number of inmates.

  - -- Keeping education spending at its current per-pupil levels in elementary and high school. This is to be achieved primarily by forcing local governments to shift $2.6 billion in property taxes to the schools.

Outlook

The outlook for state and local budgets is generally unfavorable in the coming years, particularly for areas where tax hikes have provoked voters' revolts. This assessment takes account of several developments, including prospective subnormal economic growth, pressure of aging population, and other factors.

- o Economic growth with likely to average about 2-1/2 percent a year during the rest of the decade, compared with 3.7 percent from 1982 to 1989. The less robust economic activity, which can partly be explained by the considerable slowdown in the growth of the working age population, is likely to weaken the tax bases of state and local jurisdictions. Moreover, federal fiscal constraints are likely to force them even more than before to rely on their own revenue sources.

- o Population aging will continue to impact future state budgets. The number of people aged 85 and older, who often require nursing home care, is expected to increase by one million over the next decade. This is significant because about half of Medicaid spending now goes for long-term care, and that proportion is likely to increase. CBO estimates that the majority of state spending could go toward Medicaid expenses as early as 2000, if serious health care reform is not achieved by the mid-1990s.[5] Several states, notably Oregon, have taken the lead in reforming their health care systems to slow the pace of rising medical costs.

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[5] Congressional Budget Office, Implications of Rising Health Care Costs, October 1992, p.54.

o The ability of the state and local sector to constrain spending will continue to be frustrated by federal mandates, many of which are planned for implementation in the 1990s. They include, in addition to more liberal Medicaid coverage, mandates relating to nursing homes, environmental cleanup, child welfare, and highway safety.

In conclusion, state and local governments are likely to face severe financial hardship in the coming years as they shoulder greater responsibility. What makes the budget squeeze especially painful is that, unlike the federal government, virtually all states operate under legal or constitutional requirements to balance their budgets. This will require them to raise new revenues and/or make additional cuts in services.

RECENT ECONOMIC INDICATORS AS OF JULY 9, 1993
(S.A. OR AS INDICATED)

	Jun-92	Jul-92	Aug-92	Sep-92	Oct-92	Nov-92	Dec-92	Jan-93	Feb-93	Mar-93	Apr-93	May-93	Jun-93
GDP (Quarterly Series, % A.R.)													
Nominal GDP	4.3			5.3			7.1			4.3			
Real GDP	1.5			3.4			4.7			0.7			
Implicit Price Deflator	2.7			2.0			2.3			3.3			
Fixed-Weight Price Index	3.0			2.3			3.3			4.3			
CYCLICAL INDICATORS													
Leading Index, Percent	-0.3	0.1	-0.2	0.1	0.5	0.7	1.7	-0.3	0.4	-1.0	0.2	-0.3	NA
Coincident Index, Percent	-0.1	0.4	-0.5	0.1	0.5	0.2	1.0	0.0	0.2	0.0	-0.3	0.4	NA
Purchasing Managers' Diffusion Index	52.3	53.0	52.2	48.7	50.7	54.7	55.4	58.0	55.8	53.4	49.7	51.1	48.3
Percent	-6.1	1.3	-1.5	-6.7	4.1	7.9	1.3	4.7	-3.8	-4.3	-6.9	2.8	-5.5
Industrial Production	106.0	106.8	106.6	106.2	107.5	108.4	108.9	109.3	109.9	110.1	110.2	110.4	NA
Percent	-0.66	0.75	-0.19	-0.38	1.22	0.84	0.46	0.37	0.55	0.18	0.09	0.18	NA
Capacity Utilization, Manufacturing	78.6	78.9	78.7	78.4	79.2	79.7	79.8	80.3	80.5	80.6	80.8	80.8	NA
EMPLOYMENT INDICATORS													
Civilian Employment, Million	117.5	117.7	117.8	117.7	117.7	118.1	118.3	118.1	118.5	118.6	118.4	119.3	119.2
Nonfarm Payroll Employment, Million	108.5	108.6	108.6	108.7	108.8	108.9	109.1	109.2	109.5	109.6	109.8	110.0	110.0
Civilian Unemployment Rate, Percent	7.7	7.6	7.6	7.5	7.4	7.3	7.3	7.1	7.0	7.0	7.0	6.9	7.0
Employment/Population Ratio	61.4	61.4	61.4	61.3	61.3	61.4	61.5	61.3	61.4	61.4	61.3	61.7	61.6
Average Weekly Hours, Manufacturing	41.1	41.1	41.1	41.0	41.1	41.2	41.2	41.4	41.4	41.2	41.5	41.4	41.3
CONSUMER SECTOR													
Retail Sales, Billion $	161.1	162.3	163.2	164.2	167.6	167.3	169.2	169.2	169.1	167.4	170.0	170.1	NA
Percent	-0.1	0.7	0.6	0.6	2.1	-0.2	1.1	0.0	-0.1	-1.0	1.5	0.1	NA
Total Auto Sales, Milion Units, A.R.	8.9	8.3	7.9	8.3	8.3	8.2	8.7	8.6	8.0	8.3	8.9	9.1	9.1
Domestic Auto Sales, Million Units, A.R.	6.7	6.4	6.0	6.3	6.3	6.2	6.7	6.6	6.0	6.3	6.8	6.9	7.1
Personal Income, Billion $, A.R.	5038.5	5048.7	5056.4	5080.9	5145.0	5143.7	5194.0	5223.1	5229.0	5260.8	5266.3	5296.6	NA
Percent	0.1	0.2	0.2	0.5	1.3	-0.0	1.0	0.6	0.1	0.6	0.1	0.6	NA
Disposable Personal Income, Billion $, A.R.	4419.5	4424.6	4426.3	4448.7	4505.9	4500.4	4545.4	4566.3	4573.2	4605.4	4608.7	4633.6	NA
Savings Rate, Percent	5	4.8	4.6	4.6	4.4	4.4	4.4	4.5	4.9	4.8	4.9	NA	NA
Real Personal Income, Billion 87$, A.R.	4076.5	4078.1	4094.3	4090.9	4125.9	4118.3	4155.2	4161.8	4156.6	4171.9	4163.1	4183.7	NA
Percent	-0.0	0.0	0.4	-0.1	0.9	-0.2	0.9	0.2	-0.1	0.4	-0.2	0.5	NA
Real Disposable Personal Income, Billion 87$, A.R.	3576.1	3574.4	3585.5	3581.7	3613.4	3604	3637.1	3639.9	3634.3	3652.6	3644.5	3660.2	NA
Percent	-0.1	-0.0	0.3	-0.1	0.9	-0.3	0.9	0.1	-0.2	0.5	-0.2	0.4	NA
Consumer Sentiment Index, U of Michigan	80.4	76.6	76.1	75.6	73.3	85.3	91.0	89.3	86.6	85.9	85.6	80.3	81.5
Percent	1.5	-4.7	-0.7	-0.7	-3.0	16.4	6.7	-1.9	-3.0	-0.8	-0.3	-6.2	1.5
HOUSING SECTOR													
Housing Starts, Thousand Units, A.R.	1141	1106	1229	1218	1226	1226	1286	1171	1180	1124	1215	1244	NA
Single-Famly Starts	994	961	1038	1045	1079	1089	1133	1051	1036	987	1067	1094	NA

	Jun-92	Jul-92	Aug-92	Sep-92	Oct-92	Nov-92	Dec-92	Jan-93	Feb-93	Mar-93	Apr-93	May-93	Jun-93
BUSINESS SECTOR													
Nondefense Capital Goods Orders, Billion $	30.2	28.7	27.5	29.8	31.0	27.7	33.2	29.3	33.4	29.8	30.9	30.5	NA
Percent	1.3	−4.8	−4.3	8.4	4.1	−10.7	19.7	−11.6	14.0	−10.9	3.7	−1.1	NA
Nonresidential Construction Put in Place, Billion $	132.6	129.4	125.0	128.2	130.3	128.9	128.9	128.3	129.1	131.5	130.8	134.0	NA
Inventory Change Book Value, Billion $, A.R.	53.2	38.4	23.5	−11.1	8.6	19.8	32.9	28.2	45.0	46.5	33.7	NA	NA
Inventory/Sales Ratio, Total Business	1.50	1.50	1.52	1.50	1.49	1.49	1.46	1.46	1.46	1.47	1.47	NA	NA
INFLATION INDICATORS													
CPI, Percent	0.2	0.3	0.2	0.1	0.4	0.2	0.1	0.5	0.3	0.1	0.4	0.1	NA
CPI Less Food and Energy, Percent	0.1	0.3	0.2	0.1	0.5	0.3	0.2	0.5	0.5	0.1	0.4	0.2	NA
PPI Finished Goods, Percent	0.2	0.0	0.1	0.2	0.1	−0.2	0.0	0.3	0.2	0.4	0.6	0.0	NA
PPI Less Food and Energy, Percent	−0.2	0.1	0.0	0.1	−0.1	0.2	0.1	0.4	0.1	0.1	0.4	0.2	NA
Gold, $ per ounce	341.3	353.2	344.6	345.3	344.0	334.4	334.0	329.4	329.2	330.3	341.6	364.2	372.4
W. Texas Spot Oil Price, $/bbl	22.4	21.8	21.4	21.9	21.7	20.3	19.4	19.1	20.1	20.3	20.3	19.9	19.1
MERCHANDISE TRADE													
Exports, Billion $, A.R.	456.5	449.2	436.4	451.9	466.6	453.6	470.1	450.1	443.1	466.7	460.6	NA	NA
Imports, Billion $, A.R.	538.7	539.3	540.6	551.6	553.4	547.6	553.7	542.1	538.0	592.2	586.4	NA	NA
Deficit, Billion $, A.R.	−82.2	−90.1	−104.2	−99.7	−86.8	−94.0	−83.6	−92.1	−94.8	−125.4	−125.8	NA	NA
U.S. EXCHANGE RATE													
Multilateral	85.9	82.6	81.0	82.0	85.0	90.0	90.5	92.4	93.8	93.7	90.6	90.2	91.8
Percent	−2.7	−3.9	−1.9	1.2	3.7	5.9	0.5	2.1	1.6	−0.2	−3.2	−0.4	1.7
Yen/$	126.8	125.9	126.2	122.6	121.2	123.9	124.0	125.0	120.8	117.0	112.4	110.3	107.4
DM/$	1.57	1.49	1.45	1.45	1.49	1.59	1.58	1.61	1.64	1.65	1.60	1.61	1.65
$/Pound	1.86	1.92	1.94	1.85	1.65	1.53	1.55	1.53	1.44	1.46	1.54	1.55	1.51
MONEY AND CREDIT													
M2, Billion $	3462.1	3463.6	3472.4	3480.2	3491.4	3498.0	3497.0	3487.0	3475.2	3472.7	3474.5	3506.0	NA
Percent	−1.9	0.5	3.1	2.7	3.9	2.3	−0.3	−3.4	−4.0	−0.9	0.6	11.4	NA
M3, Billion $	4170.1	4169.0	4178.8	4183.0	4180.0	4178.5	4166.5	4141.0	4135.2	4130.8	4142.0	4174.9	NA
Percent	−2.7	−0.3	2.9	1.2	−0.9	−0.4	−3.4	−7.1	−1.7	−1.3	3.3	10.0	NA
C&I Loans & Commercial Paper, Billion $, N.S.A.	990.9	966.0	981.4	987.1	991.1	996.9	989.8	986.1	978.4	979.9	NA	NA	0
Percent, A.R.	−10.4	−26.3	20.9	7.3	5.0	7.2	−8.2	−4.4	−9.0	1.8	NA	NA	NA
C&I Loans, Billion $	447.3	422.8	439.3	439.3	439.5	441.0	438.3	436.3	437.4	438.4	NA	NA	0
Commercial Paper, Billion $	543.5	543.2	542.0	547.9	551.7	555.9	551.5	549.9	541.1	541.4	NA	NA	0
INTEREST RATES													
Federal Funds Rate	3.8	3.3	3.3	3.2	3.1	3.1	2.9	3.0	3.0	3.1	3.0	3.0	3.0
T-Bill, 3 Month	3.7	3.2	3.1	2.9	2.9	3.1	3.2	3.0	2.9	3.0	2.9	3.0	3.1
T-Bond, 30 Year	7.8	7.6	7.4	7.3	7.5	7.6	7.4	7.3	7.1	6.8	6.9	6.9	6.8
Corporate AAA Bonds	8.2	8.1	8.0	7.9	8.0	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3
Mortgage Commitment Rate	8.5	8.1	8.0	7.9	8.1	8.3	8.2	8.0	7.7	7.5	7.5	7.5	7.4
STOCK MARKET													
Dow Jones 30 Industrials	3337.8	3329.4	3307.5	3293.9	3198.7	3238.5	3303.2	3277.7	3367.3	3440.7	3423.6	3478.2	3513.8
Standard & Poor's 500	408.3	415.1	417.9	418.5	412.5	422.8	435.6	435.2	441.7	450.2	443.1	445.3	448.1

[redacted]

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 07/09/93

TO: MACK MCLARTY
DAVID DREYER

FROM: **JOHN D. PODESTA**
Assistant to the President and
Staff Secretary

FYI.

[redacted]

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M / LOCATION: Dwight Holton / Tokyo

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To: JOHN PODESTA / The White House

TIME OF RECEIPT

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FORMATION / LOCATION:

IARKS: JP: These are Camp Casey and National Assembly Remarks, FYI

Dwight

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(CLASSIFICATION)

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THE WHITE HOUSE

WASHINGTON

July 9

Mr. President:

Attached for your review are draft remarks for your speech to the Korean National Assembly on Saturday. This draft has been reviewed and edited by Tony Lake, Sandy Berger, and Win Lord. I will circulate this to other staff as appropriate.

Dwight Holton

cc: Bruce Lindsey

bc: Nancy
Andrew

REMARKS OF PRESIDENT WILLIAM J. CLINTON
Korean National Assembly
Seoul, Korea-- July 10, 1993

It is great honor to speak to you here in this magnificent hall of democracy. Mrs. Clinton and I appreciate your warm welcome.

I first visited Seoul five years ago. Since then, Korea's energy and outgoing culture have shown themselves in many new ways. Your bustling capital has continued to grow. Your economy has continued to expand. Your nation has hosted the Olympics and taken its place as a full member of the United Nations. You have established new ties to Russia and China. But no achievement is more important than your consolidation of democracy with the election of a bold democrat, President Kim Young Sam.

Geography placed our two nations an ocean apart. But history has drawn us close together. Ours is a friendship formed in blood, as our troops fought shoulder to shoulder in defense of freedom. Then, as Korea's economy became the "miracle on the Han," we built an economic partnership that today exceeds $30 billion in well-balanced trade. Today Korea's democratic progress adds yet another bond of shared values between our people.

When President Truman sent American troops to Korea's defense forty-three years ago, he said he aimed to prove that, "free men, under God, can build a community of neighbors, working together for the good of all." Our efforts together since then <u>have</u> benefitted all -- not only the people of our own countries, but all in the Asian Pacific who seek to live in peace. Our relationship has made the region more secure, more prosperous and more free.

Now, with the Cold War over and profound changes sweeping this populous region, we must create a new vision of how our community of neighbors can live in peace. I believe the time has come to create a New Pacific Community, built on shared strength, shared prosperity, and a shared commitment to democratic values. Today, I want to discuss the fundamentals of security for that New Pacific Community and the role the United States intends to play.

Above all, we intend to remain actively engaged in this region. America is a Pacific nation. We fought three wars here in this century. We will not squander that investment. The best way for us to deter regional aggression, perpetuate the region's robust economic growth and secure our own maritime and other interests is to be an active presence. We must and will continue to lead.

Today some in America say, and many around the world fear, that America's global leadership is an outdated luxury we no longer can afford. They are wrong. In truth, our global leadership has never been a more indispensable or worthwhile investment. So long as America remains bordered by oceans and powered by trade -- so long as our flag is a symbol of democracy and hope to a fractious world -- the imperative of our leadership will remain.

I see four priorities for the security of our New Pacific Community: first, a continued American military commitment to the region; second, stronger efforts to combat the proliferation of deadly weapons; third, new regional dialogues on the full range of our common security challenges; and last, support for democracy and more open societies throughout the region.

The bedrock of America's security role in the Asian-Pacific must be a continued military presence. In a period of change, we need to preserve what has been reliable. Today we therefore reaffirm our five bilateral security agreements -- with Korea, Japan, Australia, the Philippines and Thailand.

Those treaties work because they serve the interests of each of the parties. They enable U.S. armed forces to maintain a substantial forward presence. At the same time, they have enabled Asia to focus less energy on an arms race and more on a peaceful race toward economic development. The substantial share that Japan and Korea pay toward the stationing of U.S. forces not only makes our presence cost effective, but also underscores the importance of that presence to both host countries.

There is no better example of our commitment than our alliance with Korea. As the Cold War recedes into history, a divided Korea remains one of its most bitter legacies. Our nation has always joined yours in believing that one day Korea's artificial division will end. We support Korea's peaceful reunification on terms acceptable to the Korean people. And when reunification comes, we will stand beside you in making that transition.

But that day has not yet arrived. The demilitarized zone still traces a stark line between safety and danger. North Korea's million men in arms -- most stationed within 30 miles of the DMZ -- continue to pose a threat. Its troubling nuclear program raises questions about its intentions. Its approaching political succession creates uncertainties. Its internal repression and irresponsible weapons sales abroad show North Korea is not yet willing to be a responsible member of the community of nations.

So let me say clearly: our commitment to Korea's security remains undiminished. The Korean Peninsula -- this crossroads of great powers and cultures -- remains a vital American interest. Our troops will stay here as long the Korean people need us here. We lost tens of thousands of America's best in Korea's mountains and mud and sky. Korea lost millions. That sacrifice affirmed some old truths. Vulnerability invites aggression. Peace depends on deterrence. We are not about to forget those lessons again.

And so it is throughout the region. Our commitment to an active military presence remains. Our mutual agreement with the Philippines to close our bases there should not be cause for Asian alarm. The larger picture tells a different story.

Here in Korea, we have frozen American troop withdrawals and will supplement your nation's military capability with new anti-tank, anti-air, and anti-missile defense technologies. We are pursuing increased access for our forces in Thailand, Singapore and Indonesia to facilitate our presence and, if necessary, to project our forces beyond the region. We have deployed to Japan the BELLEAU WOOD amphibious group and the USS INDEPENDENCE battle group, the largest and most modern in the world. These are not signs of disengagement. These are signs America intends to stay.

The second security priority for our New Pacific Community is to combat the spread of weapons of mass destruction and their means of delivery. We cannot let the expanding threat of these deadly weapons replace the Cold War nightmare of nuclear annihilation.

Today that possibility is too real. North Korea appears committed to indiscriminate sales of the SCUD missiles that were such a source of terror and destruction in the Persian Gulf. Now it is developing, testing and looking to export an even stronger missile with a range of 600 miles or more -- enough for North Korea to threaten Tokyo or for Iran to threaten Tel Aviv. We have serious concerns as well about China's compliance with international standards against missile proliferation.

The Pacific nations must develop new ways to combat the spread of biological, chemical and missile technologies, and in the coming weeks the U.S. will propose new efforts aimed at that goal. But no specter hangs over this peninsula or this region more darkly than the danger of nuclear proliferation. Nearly 160 nations now have joined to resist that threat through the Nuclear Non-Proliferation Treaty, the most universally supported treaty in history. Now, for the first time since that Treaty was opened for signature, one of its members has threatened to withdraw.

Our goals remain firm. We seek a non-nuclear Korean peninsula and robust global rules against proliferation. That is why we urge North Korea to reaffirm its commitment to the Non-Proliferation Treaty and the South-North accord, and to fulfill its full-scope safeguards obligation to the International Atomic Energy Agency, including IAEA inspections of undeclared nuclear sites. Our goal is not endless discussions but certifiable compliance.

North Korea must understand our intentions. We are seeking to prevent aggression, not initiate it. And so long as North Korea abides by the UN Charter and international nonproliferation commitments, it has nothing to fear from America's arsenals.

The U.S. has worked actively to bring North Korea back within the fold of nuclear responsibility. But your nation is most affected and has the critical role to play. The future of this peninsula is for you and North Korea to shape. The South-North accord you negotiated goes even further than existing international agreements. It not only banishes nuclear weapons from the peninsula, it also bans the production of nuclear materials for those weapons. We urge full implementation of this pathbreaking accord, which can serve as a model for other regions of nuclear tension.

Even as we address immediate concerns such as proliferation, we must also have a vision of how we will meet the broader challenges of the era. That is what I sought to create during this week's G-7 talks -- for example, by proposing new ways to focus on new problems, such as the slow pace of job creation in G-7 countries. It is why I have proposed a NATO summit, so we can adapt that institution to new times and new challenges.

In both Asia and Europe, the dominant, unitary threat of Soviet aggression has disappeared. In both regions, the end of the Cold War has allowed a host of problems to emerge or re-emerge, such as ancient ethnic rivalries, regional tensions, flows of refugees and the trafficking of deadly weapons and dangerous drugs.

In Europe, these changes require us to adapt an existing security institution, NATO. In the Pacific, no such institution exists, nor is one likely to be created soon. Moreover, since the Asian Pacific does not face a unitary threat, there is no need for us to create one single alliance. Rather, the challenge for the Pacific region is to develop new mechanisms and new dialogues that can function like overlapping plates of armor -- individually providing protection, and together covering the full body of our common security concerns.

Some of those new mechanisms may involve groups of nations addressing immediate problems. This is the model we have pursued to address North Korea's nuclear program -- for we have worked not only between our own two nations, but also with Japan and others in the region who could bring their influence to bear.

Some of our new security mechanisms may involve peacekeeping, such as the massive and promising UN effort to support reconciliation in Cambodia. Still others may pursue confidence building measures to head off regional or sub-regional conflicts.

This month's ASEAN Post-Ministerial Conference in Singapore, which our Secretary of State will attend, offers an immediate opportunity to further this kind of new dialogue. Korea can play a vital role in these dialogues, for it stands at the center of Northeast Asia -- two hours or less by air from Shanghai, Tokyo, Beijing and Vladivostok.

The many economic dialogues within the region also can play a role. By lowering barriers to trade and investment we can generate jobs, ease regional tensions, and thus enhance regional security. That is why I welcome the Dialogue for Economic Cooperation our two nations have initiated. And that is why I announced in Japan that I would would like to see an informal economic conference among APEC's leaders following the Ministerial meeting in Seattle this fall.

The goal of all these efforts should be to integrate, not isolate the region's powers. China is a particularly important example. We believe China cannot be a full partner in the world community until it respects human rights and international agreements on trade and weapons sales. But we also are determined to involve China, to the greatest extent possible, in building the new security and economic architectures of the region.

Some in the U.S. have been reluctant to enter into regional security dialogues in Asia for fear it would seem like a pretext for American withdrawal from the region. But I see such dialogues as a way to supplement our forward military presence, not supplant it. These dialogues can ensure that the end of the Cold War does not provide an opening for regional rivalries, chaos, and arms races. They can build a foundation for our shared security into the next Century.

Ultimately, the guarantee of our security must rest in the character and intentions of the region's nations themselves. This is why our final security priority must be to support the spread of democracy throughout the Asian Pacific. Democracies not only are more likely to meet the needs and respect the rights of their people. They also make better neighbors. They do not wage war on each other, practice terrorism, generate refugees or traffic in drugs and outlaw weapons. They make more reliable partners in trade and in the kind of dialogues I have advocated.

Today, some in this region argue that democracy and human rights are somehow unsuited to parts of Asia, or that they constitute Western cultural imperialism. My ear is drawn to more compelling voices -- to [name] who proclaimed democracy's spirit at Tiananmen Square; to Aung San Suu Kyi, whose eloquent opposition to repression in Burma has stirred the world; to Boris Yeltsin, who is leading Russia toward becoming a great democratic power on the Pacific; and to your own President Kim, who has helped democracy flower here in the Land of the Morning Calm.

Each of our nations must retain the best of our cultures. But Korea proves democracy and human rights are not Western imports; rather they flow from universal aspirations.

Now we must work to respond to those aspirations throughout the region. We must support the non-governmental organizations that seek to strengthen Asia's building blocks of civic society, such as open elections, trade unions and a free press. And we must deploy our weapons of accurate news and information against Asia's closed societies. I have proposed the creation of an Asia Democracy Radio for this purpose and I look forward to its establishment in the near future.

Two-hundred-and-seventeen years ago, America's founders declared the rights of self-governance to be God-given and therefore inalienable. Today, here on Asian soil, let us together reaffirm that declaration, not only as an article of faith, but as a sturdy building block in our region's shared security.

* * *

This, then, is our nation's vision for security in the New Pacific Community: a continued U.S. military presence; new efforts to combat proliferation; new regional security dialogues; and vigorous support for democracy and democratic movements.

These elements of security can help create a Pacific region where economic competition is vigorous but peaceful; where diverse nations work as partners to improve their shared security; and where democracy as well as balanced military strength takes its place as a guardian of our security.

We will not realize every aspect of that vision overnight, nor will the New Pacific Community come to pass without great effort. But neither of our nations is a stranger to hard work. I think, in particular, of the image of your great long-distance runner, Hwang Young-cho, who endured that final steep hill in Barcelona to capture the gold in the marathon at the 1992 Olympics.

His energy and perseverance capture the spirit of the Korean people, who have not only endured but prospered through a long, hard and challenging history. We respect that spirit. We honor your values. We have stood shoulder to shoulder with you in days past. And so it shall be in the days ahead. Thank you.

THE WHITE HOUSE

WASHINGTON

July 8

MR. PRESIDENT:

Attached are draft remarks for your visit to American troops at Camp Casey in South Korea. As there is limited reading time between now and the visit (Sunday), I thought it advisable to get this to you now in case you have a moment for initial review.

Tony is circulating an initial draft of the National Assembly speech to staff this evening, and I hope to have a draft for your review later tonight or first thing tomorrow.

Dwight

Dwight Holton
(trip staff secty.)

cc: George
David G.
Mark G.
Roy N.
Bruce
Dee Dee

DMZ SPEECH TO TROOPS

Thank you, General Luck and distinguished guests. It is a privilege to be on this frontier of freedom today with the "Warriors" of the Second Infantry Division. There are many honors that come with the Presidency, but none is greater than being Commander-in-Chief of the finest armed forces this world has ever known.

Earlier today, I had my first opportunity to tour the DMZ. It makes an indelible impression. That bleak no-man's land is barren of life. But it is crowded with images and meanings. For it is here that the line has been drawn between danger and safety, between oppression and opportunity, between fear and hope. It is here that American soldiers like you have stood shoulder to shoulder with our Korean allies for forty years.

As I stood looking north through those binoculars a few minutes ago, I thought about what it must have been like in 1950. There was no DMZ. There was no line of safety. There was no certainty about the reach and the staying power of the Communists. There was only wave after wave of advancing North Korean forces overrunning the ground on which we now stand.

Your predecessors in the 2nd Division helped drive back the brutal aggression of North Korea. In the four decades since then, many thousands of American and Korean soldiers have manned these same ramparts of freedom. Their vigilance, and yours, has kept the peace all these years.

Here at this unforgiving outpost, you provide South Korea not only security against attack but also the security to flourish. For while the DMZ has remained fixed all these years, the nation to its south has raced down a breathtaking path of progress. You have enabled the Republic of Korea to nurture democracy and create an economic miracle in the Land of the Morning Calm. Your service has allowed a people to thrive so that they may pursue the same ideals of life, liberty and the pursuit of happiness that animated our own nation's fight for freedom.

Today, as we look ahead to the next century, we want to move beyond the hostility of the past. We hope that the Korean people, North and South, will one day be able to live side by side without fear. We are confident that one day reunification will come.

But that day is not here yet. One million men in arms still face each other across the DMZ. North Korea remains a threat. Its oppression at home is severe. Its intentions abroad are unclear. Its dangerous nuclear program menaces not only South Korea but the region and the civilized world. And until the threat has passed, we must continue to stay on guard, and you must continue to stand watch.

Whether you carry a rifle, drive a truck or repair helicopters, your work is vital. For there is ultimately no more important component of South Korea's security than that which you help provide, and there is no greater symbol of America's commitment to peace and freedom than your presence here, so far from home.

We have seen revolutionary changes around the world in the last few years. The Berlin Wall has fallen. The Soviet empire has dissolved. Amid tyranny's ruins new democracies are taking root. These hopeful changes have enabled us to reduce the burden of defense and to reshape our forces accordingly.

The world, however, remains a dangerous place. And this time of transition for the American military requires a measure of foresight and caution. Historically, in the absence of an immediate threat America has too often allowed its military machine to rust. In 1945, our forces stood victorious, the most powerful in the world. Yet five short years later, too many of our units went into battle here in Korea under strength, ill-equipped and poorly trained. While fought the aggressors to a stand-off at the 38th parallel, the cost was extreme.

We can not -- and will not -- repeat that mistake. Reductions in our defense spending are inevitable and in many cases desirable. But as I said six weeks ago at West Point, there is a line below which we can not go. America's Army must be able to fight and win on a moment's notice. We must be prepared to protect our interests -- acting with allies when possible but acting alone when necessary. And I tell you this: as long as I am President, our nation will continue to have the best trained, best equipped, and best prepared fighting force in the world.

Above all I am committed to maintaining the quality of our recruits and the spirit in our ranks, for it is our people who fight and win our wars. Our military technology may be impressive. We may move troops into battle on great machines like Bradley Fighting Vehicles or Blackhawk helicopters. We may provide you with sophisticated precision guided weapons. But ultimately our edge is in the toughness, discipline, training, morale and fighting spirit of our men and women in uniform. You are America's edge, and you will always be the core of my commitment.

It can't be easy for you to serve here, thousands of miles from friends and family and worlds away from the land we love. But I want you to know that should the trumpets ever sound the call to arms again, you will have the full support of your President, your Congress and the American people. We know what you do is difficult and we deeply appreciate your dedication and sacrifice.

Looking out among your ranks today, I am newly confident and enormously proud. For you represent the spirit that has made America a great nation -- a spirit of perseverance in the defense of liberty. No matter what the challenge, no matter how great the burden, you demonstrate by your performance and your professionalism that you -- and America -- are truly "Second to None."

Chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 7/9/93

TO: Mack McLarty, Dave Gergen, Bob Rubin, Gene Sperling

FROM: **JOHN D. PODESTA**
Assistant to the President and Staff Secretary

The attached has been forwarded to the President.

[redacted]

THE WHITE HOUSE

WASHINGTON

93 JUL 8 P3:37

July 6, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ALEXIS HERMAN
AMY ZISOOK, MARILYN DIGIACOBBE

SUBJECT: REPORT ON WEEKLY BUSINESS LEADER LUNCHEONS

As you requested, we have prepared the following report on the weekly CEO luncheons of which we have now conducted a total of six. This report outlines the process, substance, and follow-up being implemented around these luncheons, as well as provides an update on the media that has been generated as a result of the luncheons.

I. CEO Targeting

The first group of luncheons was meant to reach major players and opinion makers in the business community. In a time when we were looking to establish ties in the business community and gain support for the economic package, the communication with major corporate leaders was helpful to our strategy. These well known figures attracted media attention which was useful in influencing Members of Congress.

As we look ahead to the next group of luncheons, we will add new dimensions to our audiences. We have created a national business leader target list and categorized it by industry and issue. As we expand outside of the major players and opinion makers, we will have a stronger issue focus by which to structure these meetings. An example of this being the G-7 luncheon meeting that was conducted July 1, 1993. Some of the immediate focuses are small business; entrepreneurs; service industry and retailers; as well as a lunch with CEOs who provided summer jobs through the "Summer Challenge."

We will continue to reach out to a diverse group and be sensitive to ensuring a mix of regional representation, varying company size, minority representation, and women.

II. Invitation Process

My office has instituted a regular procedure for inviting and preparing for the luncheon meetings.

- *Invitation Call*

- *Followed by faxed letter of invitation*
- *Background calls to government representatives to gain information on CEOs and issues of interest to them*
- *NEXUS/LEXUS searches on CEOs (this is often done prior to invitation to ensure no surprises)*
- *Preparation of briefing memorandum*
- *Logistical coordination in conjunction with the Social Secretary*
- *Media coordination in conjunction with Media Affairs*

III. Post Luncheon Follow-up

The following procedural follow-up has been instituted.

- *Event debrief - we are capturing the highlights of the luncheon meetings and views of the individual CEOs (see attached form)*
- *Thank you letters - please see attached samples of*
  - *Letter from President Clinton to CEO*
  - *Letter from Alexis Herman to CEO*
  - *Letter from Amy Zisook to CEO government representative*
- *Photographs of CEO with President signed and mailed to CEO*
- *Follow-up calls to CEOs and CEO representatives to follow up on unresolved issues and keep the dialogue going. Alexis Herman and Amy Zisook have been making these calls. On occasion, we have assigned calls to Mack McLarty, Bob Rubin and Roger Altman*
- *Regular written communications with this growing CEO network (see examples of mailings sent)*
- *Inclusion of CEOs in White House social functions such as small dinners and larger events. We have been funneling the names of selected luncheon attendees to the Social Secretary for inclusion.*

IV. Media Generated

These forums have attracted a fair level of media attention. Following each luncheon, a number of CEOs have made themselves available to the press at the stakeout. We usually have three or more CEOs who agree prior to the luncheon to speak to the press. For these CEOs we are able to make prior arrangements for print, radio, and/or television from their company's region. Also, there are at most times additional CEOs who offer after the luncheon to speak to the press. They are also taken to the stakeout. Guests, however, are never pushed to speak to the press.

Following are some samples of media generated as a result of your luncheons with business leaders.

Print

The Birmingham News, June 17
"President draws Drummond's praise" (see attached article)

Washington Post, June 30
"Clinton's CEO Lunch Bunch" (see attached article)

Radio

May 19
Norman Augustine, Martin Marietta - Washington, D.C.
John Bryan, Sara Lee - Chicago WBBM, WGN
William Chee, National Assoc of Realtors - Honolulu stations

June 2
Curtis Barnette, Bethlehem Steel - Harrisburg, Pennsylvania Radio Pennsylvania, WHP
George Mead, Consolidated Paper - Wisconsin Radio Network, WTMJ

June 16
Paul Allaire, XEROX - "All Things Considered", National Public Radio, and Stamford, Connecticut, WSTC
Warren Buffett, Berkshire Hathaway - Omaha, Nebraska KKAR, KFAB

June 23
Robert Denham, Salomon - New York, WCBS

Television

Nightly Business Report, PBS
Interviewed Eaton, Chrysler and Poling, Ford - May 19
Interviewed Jack Smith, GM and Llewellyn, Coca-Cola Bottling - May 26
Interviewed Cook, ARCO - June 16
Interviewed Denham, Salomon and Levin, Time Warner - June 23

CNBC
Warren Buffett, Berkshire Hathaway Live - June 16
Gerry Levin, Time Warner Live - June 23

Television (continued)

Moneyline, CNN

Interviewed Red Poling after his invitation to the White House.
Interviewed Curtis Barnette, Bethlehem Steel and Joe Gorman, TRW the evening prior to their visit to the White House.

ABC News, NBC News, CBS News, and CNN were among news services who provided packages to their affiliates for use.

CEO WEEKLY MEETING DE-BRIEF

DATE OF EVENT: 6/23/93 **TIME:** 12:30 p.m.
SITE: Old Family Dining Room, The White House

CEO ATTENDEES (NAME, COMPANY)

1. Dwayne Andreas, Archer Daniels Midland Company
2. Curt Bradbury, Worthen Banking Corporation
3. John Bryson, Southern California Edison
4. Ronald Compton, Aetna Life Insurance & Casualty Company
5. Robert Denham, Salomon, Inc.
6. Nolanda Hill, Corridor Broadcasting Company
7. William Stiritz, Ralston-Purina
8. Leslie Wexner, The Limited, Inc.
9. Gerald Levin, Time-Warner
10. Stanley Gault, Goodyear Tire & Rubber Company

WHAT WAS THE GENERAL TONE OF THE MEETING ? ______________________

WHAT ISSUES WERE DISCUSSED ? ______________________

FOCUS / MEETING HIGHLIGHTS ______________________

SPECIFIC QUESTIONS RAISED THAT REQUIRE FOLLOW-UP ______________________

WHAT WAS THE ROLE OF SPECIAL GUESTS ? (ie: Vice-President, Sec. Bentsen) ______________________________

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HOW DOES EACH CEO RESPOND TO THE PRESIDENT AND WHERE DO THEY STAND ON THE MAJOR ISSUES ?

1. Dwayne Andreas, Archer Daniels Midland Company

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

2. Curt Bradbury, Worthen Banking Corporation

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

3. John Bryson, Southern California Edison

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

4. Ronald Compton, Aetna Life Insurance & Casualty Company

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

5. Robert Denham, Salomon, Inc.

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

6. Nolanda Hill, Corridor Broadcasting Company

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

7. William Stiritz, Ralston-Purina

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

8. Leslie Wexner, The Limited, Inc.

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

9. Gerald Levin, Time-Warner, Inc.

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

10. Stanley Gault, Goodyear Tire & Rubber Company

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

WHICH CEO'S WERE AVAILABLE FOR PRESS AFTER THE MEETING ? ____________

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THE WHITE HOUSE

WASHINGTON

June 24, 1993

Mr. William Stiritz
CEO
Ralston-Purina
Checkerboard Square
St Louis, MO 63164

Dear Bill:

On behalf of President Clinton, I would like to thank you for taking the time to have lunch with us here at the White House.

I believe continued interaction between the Administration and the business community is of critical importance. Such meetings enable the President to hear the views of our nation's business leaders first hand.

I look forward to further developing our relationship and our ability to work together in a direction that will move this nation forward.

Again, thank you for your time. If you have any questions or concerns please feel free to contact me.

Sincerely,

Alexis M. Herman

Alexis M. Herman
Assistant to the President and
Director, Office of Public Liaison

THE WHITE HOUSE

WASHINGTON

June 28, 1993

Mr. Rudolph A. Vignone
Vice President Government Relations
Goodyear Tire & Rubber Company
901 15th Street, N.W.
Suite 350
Washington, DC 20005

Dear Rudy:

Thank you for helping to arrange Stan Gault's attendance at the luncheon hosted by President Clinton on June 23, 1993.

I greatly appreciate your help in making this possible. I hope he found this meeting to be both beneficial and enjoyable. I know that President Clinton considers these lunches to be an excellent opportunity to exchange ideas and to hear the concerns of the business community first hand.

I would appreciate any feedback you may have from the lunch. Please let me know if I can be helpful with any follow-up from their conversation.

I look forward to continuing our work together. Again, thank you for your assistance.

Sincerely,

Amy Zisook

Amy Zisook
Special Assistant to the President
Office of Public Liaison

THE WHITE HOUSE

WASHINGTON

June 2, 1993

Mr. Edwin Artzt
Chairman
Procter & Gamble
One Procter & Gamble Plaza
Cincinnati, OH 45202-3315

Dear Ed:

As you may know, President Clinton announced on May 28th that he was extending Most Favored Nation (MFN) status for China through July 3, 1994.

Enclosed please find a copy of the President's statement from May 28th as well as a copy of the Executive Order placing conditions on further renewal of MFN in 1994.

I just wanted to keep you apprised of this issue affecting the business community.

Sincerely,

Alexis M. Herman

Alexis M. Herman
Assistant to the President and
Director, Office of Public Liaison

THE WHITE HOUSE

WASHINGTON

June 17, 1993

In a recent speech to the Business Roundtable, President Clinton addressed issues that may be of interest to you as a member of the business community.

I have enclosed a copy of the President's remarks for your review.

Alexis M. Herman
Assistant to the President and
Director, Office of the Public Liaison

Stephen W. Raby
Administrative Assistant

Howell Heflin
United States Senator
Alabama

728 Hart Building
Washington, D. C. 20510
(202) 224-4124

THE BIRMINGHAM NEWS

MONEY

THURSDAY, JUNE 17, 1993

Pg 5D

President draws Drummond's praise

'He listens,' coal company exec says

By Michael Brumas
News Washington correspondent

WASHINGTON — Gary Drummond of Birmingham, chairman and chief executive officer of the Drummond Co., didn't vote for Bill Clinton, but he came away from a White House luncheon Wednesday saying he was impressed with the president.

"The president is very bright," Drummond said. "He handles himself very well, and he listens. I was very impressed."

The Alabama coal company executive was among a group of nine corporate CEOs Clinton invited to lunch at the White House for a discussion of the administration's economic plan and a host of other issues.

Other CEOs at the luncheon included Paul Allaire of the Xerox Corp., Lodwrick M. Cook of ARCO and Bert Roberts of MCI Communications.

"I don't think he's (Clinton) had a chance yet to prove his performance one way or the other."
Gary Drummond

Drummond told reporters afterwards that he supports the Senate Finance Committee's efforts to raise taxes on gasoline and diesel fuel as a way to help pay for Clinton's deficit-reduction plan.

Clinton originally had proposed a broad energy tax on most fuels, including coal, but some Senate Democrats on the Finance panel effectively blocked action on the budget until Clinton agreed to drop the broad-based energy tax.

Drummond said he favored a gasoline tax over Clinton's energy tax plan because "we can't handicap manufacturing in this country anymore than it's handicapped."

"The gasoline tax, quite frankly, is a consumer tax. I guess that's what it all gets back to," he said.

As a rural state, Alabama ranks high in gasoline consumption. Reminded that Alabama would be hurt more than many states under a motor-fuels tax, Drummond said, "Maybe that'll discipline us some."

Drummond said he raised the issue of health care with Clinton, who is preparing a major health care reform proposal.

"It's one of the big threats to American industry and especially to our industry," he said.

As Drummond emerged from the executive mansion, members of the national media asked him if he was disappointed in Clinton's performance so far as president.

"I don't think he's had a chance yet to prove his performance one way or the other," Drummond responded.

Drummond said he comes "from the Republican ranks," but supports Clinton "because he is the president."

Drummond was asked whether he thought Clinton had made many mistakes during his first six months in office.

"Sure. He admits he's making mistakes, but let's hope he's doing a lot of things right," said Drummond.

Gary Drummond

Clinton's CEO Lunch Bunch

Over Meals, the President Seeks Corporate Advice and Consent

By Jerry Knight
Washington Post Staff Writer

President Harry S. Truman used to take people "to the woodshed" when he wanted something from them. President Clinton takes them to lunch.

In sessions that resemble small town Rotary Club lunches—but with Fortune 500 executives rather than Main Street business owners—the president is bringing corporate leaders to the White House once a week for an unusual exercise in economic policy making.

Tomorrow, Clinton will again gather business leaders around the mahogany table in the Old Family Dining Room to seek support for his efforts to bring down the deficit, improve the nation's trade balance and reform the health care system.

The weekly lunches with nine or 10 executives are a sign that Clinton, despite his rhetoric about taxing the rich, is comfortable around corporate titans, values their advice and is keen on winning their backing.

The goals of the sessions are not only to sell his administration's economic policies to business executives, who by tradition tend to be a Republican constituency, but also to sell himself as a credible steward of the nation's economy. Both efforts are succeeding, say most of those who have been to the White House lunches, which began in late May.

"I was struck by his tremendous grasp of the American economy and the world economy, both in terms of global picture issues and the micro level," said Robert E. Denham, chairman of Salomon Inc. "One of the reasons he is so well informed is he has sessions like this."

Denham, who heads one of the biggest firms on Wall Street, was one of 10 executives who lunched last Wednesday with Clinton, Vice President Gore, eco-

REUTER

Ford CEO Harold Poling, left, President Clinton and United Airlines CEO Steve Wolf at a lunch in May.

2 4 2

nomic policy adviser Robert E. Rubin and presidential counselor David R. Gergen.

Like the four previous lunches, last week's was a mix of corporate superstars—Archer Daniels Midland Co. Chairman Dwayne Andreas, Chairman Leslie Wexner of the Limited Inc.—and more down-home types such as Curt Bradbury, chairman of Worthen Bank in Little Rock, Ark., and Nolanda Hill, chairman of Corridor Broadcasting Corp., which owns Washington's WFTY-TV, Channel 50.

Tomorrow's guest list is made up of about a dozen chief executives of companies that do business in Asia—including Harold "Red" Poling of Ford Motor Co., Joseph T. Gorman of TRW Inc. and George M.C. Fisher of Motorola Inc.—as Clinton prepares for his visit next week to Japan and South Korea.

"I'm very favorably impressed with what the Clinton administration is trying to do," said Andreas, one of several Clinton guests who have given money to Republican candidates.

Describing the guest list as "a table of patriots," Andreas said: "Everyone of us wants to see the president and the government succeed."

White House officials describe the lunches, initiated by White House Chief of Staff Thomas F. "Mack" McLarty, as part of Clinton's effort to continue seeking consensus on economic issues, which began with the three-day economic conference in Little Rock last December.

The president also has made business executives regular guests at a series of private dinners in the family quarters of the White House, reaching out to Corporate America much more aggressively than either President George Bush or President Ronald Reagan ever did.

During the Reagan administration, business leaders complained that their views were not being heard in the White House, but Clinton began courting influential chief executives even before he became president.

After delivering a major campaign speech on the economy to the Detroit Economic Club last August, Clinton met privately with the heads of the Big Three auto companies and has continued to communicate with the auto industry about trade, regulation and health care issues.

General Motors Corp. Chairman John F. Smith Jr., Chrysler Corp. Chairman Robert Eaton and Ford Chairman Poling all have been to the White House for lunch in the last month and auto industry executives say their relations with Washington are better than they have been in years.

"You have a situation where for the first time in a long time government, business and labor are talking about the same things at the same time," said a top Ford executive.

No such dialogue has been opened with consumer groups and the traditional liberal constituencies that candidate Clinton courted last year. "He hasn't invited any of us to the White House," said consumer advocate Ralph Nader.

Clinton's business lunch guests are coming mostly from industrial and manufacturing industries—companies suffering the most from slow economic growth, facing the toughest challenges from important competition and paying the highest health care bills.

The president is not only pitching his economic policies, but also picking the brains of big business executives, his guests report.

"He was seeking input and he was seeking support for what he is trying to accomplish relative to the budget process," said United Airlines Inc. Chairman Steve Wolf, who attended the first of the lunches.

Some of Clinton's guests have brought messages to the White House. Jack Welch, chairman of General Electric Co., said he urged Clinton to deliver the details of any tax increases as quickly as possible to remove uncertainties that may be causing families and businesses to hold back their spending, retarding economic expansion.

LUNCH WITH CLINTON

EXECUTIVES AT THE MAY 19 MEAL

Michael Armstrong
Hughes Aircraft, Los Angeles

Norman Augustine
Martin Marietta, Bethesda

John Bryan
Sara Lee, Chicago

William Chee
RESCO, Honolulu

Robert Eaton
Chrysler, Detroit

John Ong
B.F. Goodrich, Akron, Ohio

Harold Poling
Ford Motor, Detroit

Frank Popoff
Dow Chemical, Midland, Mich.

Robert Winters
The Prudential, Newark

Steve Wolf
United Airlines, Chicago

At the May 24 lunch, Clinton was warned that he and Democrats in Congress will have to take the blame if they do not break the "gridlock" in Washington, said Bruce Llewellyn, president of the Philadelphia Coca-Cola Botting Co.

"As a matter of common sense, the Democrats had better wake up," said Llewellyn, a Democrat who headed the Overseas Private Investment Corp. in the Carter administration.

Most of the table talk, however, has been "polite—probably too polite," said Roman E. Boruta, chairman of Purolator Products Co. of Tulsa, who attended a White House lunch on June 15.

"Nobody really challenged anything" the president said during the lunch, Boruta said. Since then, Boruta wrote the president telling him: "This business forum isn't the right approach for him to get a feel for business. We didn't reach the state of hard-nosed discussions."

But even Boruta credits Clinton for trying to open communication with business leaders and attack long-term economic problems. "I was impressed from the standpoint that he is a man of conscience and deep down, he feels he's doing the right thing," he said.

THE WHITE HOUSE

WASHINGTON

93 JUL 8 P1:51

July 8, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Alexis Herman
SUBJECT: Office of Public Liaison -- June Activity Report

Attached please find a calendar of the briefings and/or events that the Office of Public Liaison (OPL) organized in June and a breakdown of OPL-sponsored activities according to issue area. As you can see, our activities ranged from quarterly constituency meetings to targeted outreach in support of Presidential priorities.

cc: Mack McLarty
David Gergen
George Stephanopoulos
Roy Neel

OFFICE OF PUBLIC LIAISON
JUNE ACTIVITIES REPORT

Date	Event	Briefer(s)
I.	**Reconciliation/Economic Package Support**	
6/1	OPL / DNC Meeting	OPL Staff
6/4	Business Roundtable	Alexis Herman
6/4	Executive Club of Chicago	NEC
6/4	Computer Systems Policy Project	NEC
6/8	Save Our Security	Mike Lux
6/9	Memphis Chamber of Commerce	NEC
6/9	Des Moines Chamber of Commerce	Tom Kalil
6/9	Business Roundtable	POTUS
6/14	Assn of Publicly-Traded Companies	Joe Minerick, Chris Edley
6/14	National Association of Women Business Owners	AMH

OFFICE OF PUBLIC LIAISON
JUNE ACTIVITIES REPORT

Date	Event	Briefer(s)
6/14	Recreation Roundtable	Margie Ross, T.J. Glouthier
6/16	CEO Lunch	POTUS
6/16	International Mass Retail Association	NEC
6/21	Liberal Groups	Mike Lux
6/22	Health Care Provider	Mike Lux, Marilyn Yager
6/22	Older Americans	Mike Lux
6/22	Washington Reps and CEOs	Alexis Herman, Gene Sperling
6/22	Real Estate Association	AMH, Ellen Seidman
6/22	House Bill Supporters (Businesspeople)	Alexis Herman, Gene Sperling, Bo Cutter
6/23	CEO Lunch	POTUS
6/24	National Federation of Independent Businesses Representatives	Alexis Herman

OFFICE OF PUBLIC LIAISON
JUNE ACTIVITIES REPORT

Date	Event	Briefer(s)
6/29	National Federation of Independent Businesses	POTUS
6/29	Committee of 200	HRC, Laura Tyson, Ira Magaziner

II. **Health Care Initiative**

Date	Event	Briefer(s)
6/01	National Academies of Practice	Mike Lux
6/02	Business Leaders Group (IBM, TRW, Arco, Boeing, Allied Signal)	Ira Magaziner, Mike Lux
6/02	American Dental Association	Christine Heenan, Mike Lux
6/03	Health Briefing for DNC	Mike Lux
6/03	AFSCME	HRC, Mike Lux
6/03	Briefing for Hill Staffers and Interest Groups	Mike Lux
6/04	American Public Health Association	Charlotte Hayes, Mike Lux
6/04	CEOs Meeting	HRC, Bob Rubin, Ira Magaziner, Mike Lux

OFFICE OF PUBLIC LIAISON
JUNE ACTIVITIES REPORT

Date	Event	Briefer(s)
6/07	Women in Farm Economics	Mike Lux
6/08	AMCRA / AAPPO	Steve Edelstein
6/8	Iowa Chamber of Commerce	Mike Lux
6/9	AARP	HRC
6/10	Planned Parenthood	Judy Feder, Mike Lux
6/24	American Health Care Association	Mike Lux
6/28	American Academy of Pediatrics	HRC
6/28	Health Professions Review Group	HRC, Mike Lux
6/29	American Hospital Association	Mike Lux
6/29	Committee of 200	HRC, Laura Tyson, Ira Magaziner

OFFICE OF PUBLIC LIAISON
JUNE ACTIVITIES REPORT

Date	Event	Briefer(s)

III. Reinventing Government

6/21	Association of Government Accountants	Alexis Herman

IV. Welfare Reform

6/16	Key Advocacy Groups Kick-Off	David Ellwood, Mary Jo Bane, Bruce Reed
6/17	AFSCME	Bruce Reed, Mike Lux
6/18	SEIU	Bruce Reed, Mike Lux

V. Inter Agency

6/16	Federal Women Interagency Board	Doris Matsui
6/22	Public Liaison Interagency Meeting	Alexis Herman
6/23	Business Liaison Conference Call	Amy Zisook

OFFICE OF PUBLIC LIAISON
JUNE ACTIVITIES REPORT

Date	Event	Briefer(s)

VI. Base Constituency Groups

A. African American

Date	Event	Briefer(s)
6/04	Black Leadership Meeting	POTUS, VPOTUS
6/09	Bethune-Debois Fund	Alexis Herman
6/10	National Rainbow Coalition Reception	Alexis Herman
6/28	National Political Conrgess of Black Women	POTUS

B. Business

Date	Event	Briefer(s)
6/14	American Society of Association Executives	Alexis Herman, Doris Matsui
6/17	Corporation for Public Broadcasting Reception	POTUS
6/17	International Dairy Foods Association	NEC
6/23	Center for the Study of the Presidency	Ken Brody

OFFICE OF PUBLIC LIAISON
JUNE ACTIVITIES REPORT

Date	Event	Briefer(s)
C. Ethnic		
6/18	German-American Leadership	Jay Footlik, DNC
6/28	American Task Force on Bosnia	Jane Holl
D. Gay/Lesbian		
6/17	Meeting	Alexis Herman
E. Hispanic		
6/03	Hispanic Leadership Meeting	POTUS
6/24	AHORA Hispanic Journalists	Alexis Herman
6/25	National Association of Hispanic Journalists	Mark Gearan
6/30	ASPIRA (Puerto Rican Educational Org)	Suzannah Valdez

OFFICE OF PUBLIC LIAISON
JUNE ACTIVITIES REPORT

Date	Event	Briefer(s)

F. International

6/17	Reception for President of Namibia	VPOTUS

G. Jewish American

6/24	Holocaust Museum Board Swearing In	Bernie Nussbaum

H. Justice/Civil Rights

6/19	American Citizens for Justice	Doris Matsui
6/21	Lawyers Committee on Civil Rights Reception	POTUS
6/24	Joe Louis Barrow, Jr Photo Op	POTUS

I. Law Enforcement

6/24	National Association of Police Officers	POTUS

OFFICE OF PUBLIC LIAISON
JUNE ACTIVITIES REPORT

Date	Event	Briefer(s)
J. Youth		
6/03	Central State University Track and Football Team Photo Op	POTUS
6/15	YMCA Youth Governors	Laura Tyson, Paul Begala
6/24	Academic Decathalon Winners	POTUS
K. Women		
6/07	League of Women Voters	POTUS, HRC
L. Other		
6/11	Western Alaska Indians	Dan Wexler
6/14	Flag Day Ceremony	POTUS

June 1993

PUBLIC LIAISON

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1 3:00-5:00pm OPL MEETING	**2**	**3** 4:30pm Photo with Central St. Football/ Track (BC) (Danny) 5:00pm Hispanic Leadership (BC) (SAV) Roosevelt Room	**4** 9:30am Executive Club of Chicago (Amy) 474 10:30am Computer Systems Policy Project (Amy) Roos. Rm.	**5**
6	**7** 2:15pm League of Women Voters (BC/ HRC) (AMH) 3:00pm Assn of Publically Traded Companies (Amy)	**8** 10:00am Iowa Chamber of Commerce/Health Care (Mike)	**9** 9:30am Memphis, Tennessee Chamber of Commerce (Amy) 180 10:00am Des Moines Cham of Comm Tom Kalil Off Campus 3:00pm Business Roundtable (BC) J.W. Marriott	**10** 3:30pm Planned Parenthood/Health Care Briefing (Mike) 474 4:00pm Photo with MS Mother and Father (BC) (Danny) Oval	**11** 4:15pm Western Alaska Indians (Danny) 476	**12**
13	**14** * 10:30am Flag Day Ceremony (BC) Rose Garden 11:30am Nat'l Assn Women Business Owners (AMH) Off Campus 2:00pm Coalition of Publically Traded Partnership 472 3:00pm American Society Assn Exec (AMH/Doris) Off Campus	**15** 9:00am-1:00pm YMCA Youth Governors	**16** 12:00pm Fed Women Inter-Agency Board (Doris) Off-Campus 12:30pm CEO Lunch (Amy) 4:00pm Int'l Mass Retail Association (Amy) 474	**17** 8:30am International Dairy Foods Assn (Amy) 210 NEOB 5:00pm Reception for Corp. for Pub. Broadcasting (BC) 5:30pm Reception for Pres of Namibia (Doris) Blair House	**18** 3:00pm German-American Leadership (MD) 476	**19** American Citizen's for Justice (Doris) Detroit
20	**21** 8:15am Assn of Government Accountants (AMH) Orlando 12:30pm Reconciliation Meeting w/ Liberal Groups 180 1:00pm American Task Force on Bosnia (MD) 476 5:00pm Lawyers Committee on Civil Rights Reception (BC)	**22** * 8:30am Health Care Providers 476 9:30am Reconciliation Meeting w/ Seniors Groups 180 10:00am Washington Reps & CEO's (Amy) Roosevelt Room 1:00pm Real Estate Assn/Recon (Amy) Roosevelt Room	**23** 8:15am Business Liaison Conference Call (Amy) 11:00am Center for the Study of the Presidency RR 12:30pm CEO Lunch (Amy) 9:00pm Center for Study of Pres Dinner (BC)	**24** * C-SPAN Board of Governors (BC) (Amy)* Photo with Joe Louis Barrow Jr (Danny) Oval Photo with winners of Academic Decathalon (Danny) Holocaust Museum Board Swearing-In (Amy) 474	**25**	**26**
27	**28** 11:00am American Academy of Pediatrics 4:00pm Nat'l Pol Congress of Black Women (AMH)	**29** 9:00am National Federation of Independent Business (BC) 9:30am American Hospital Association (Mike) Off Campus 3:30pm Committee of 200 (Amy)	**30** 10:00am ASPIRA (SAV)			

June 1993

14 4:00pm Recreation Roundtable (Amy) 472
22 2:00pm House Bill Supporters/Recon
(Amy) 324
3:00pm Public Liaison InterAgency
(Doris) RR
24 National Association of Hispanic Journal
(BC)*
1:00pm Nat'l Assn Police
Organizations (BC) (Steve)

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 7/5

NOTE FOR: Mack

The President has reviewed the attached, and it is forwarded to you for your:

- **Information** ☐
- **Action** ☑

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE PRESIDENT HAS SEEN 7/4

THE WHITE HOUSE

WASHINGTON

93 JUL 2 P3:30

June 30, 1993

Mack
Pls contact Tim
+ make sure their group has good
bipartisan support in
Congress —
B.

MEMORANDUM FOR THE PRESIDENT

FROM: Robert Rubin

SUBJECT: Decision Memorandum on Maritime Issues

PURPOSE

This memorandum asks that you decide on the level and form of subsidies to be given to various U.S. maritime industries.

BACKGROUND

The U.S.-Flag Fleet. The U.S.-flag fleet is engaged in both domestic and international trade. Ships in domestic trades are permanently protected from foreign-flag competition by the Jones Act. This memorandum describes options to subsidize ships that are employed in international trade and therefore subject to competition. The international trade fleet consists of 95 liners (ships designed principally to carry goods in containers) and 60 bulkers (ships that carry loose cargo such as liquids and ore).

The principal issue in this memorandum is whether expiring direct subsidies should be replaced with new subsidies for U.S.-flag liners. (No agency supports direct subsidies for bulkers). If no new program is announced, most U.S. liners are likely to reflag their vessels. The reflagged ships would still be owned and controlled by U.S. firms; their U.S. crews (about 10,000 seafarers) would be replaced by foreign mariners. A related issue is whether the plethora of indirect subsidies that now support a wide range of maritime interests should be expanded, maintained or phased-out. (Existing subsidies are described in Tab A.)

Budgetary Context. Option 1 would require DOD to shift defense outlays; it would be deficit neutral. Options 2 and 3 would increase mandatory spending. Under the Budget Resolution, offsets would have to be identified to make the proposals deficit neutral. Options 2 and 3 would also result in savings on the discretionary side of the budget from the phase-out of existing subsidy programs. While these savings could be used for new discretionary outlays, they could not be used as offsets for any new mandatory spending.

OPTION 1. Require DOD to Support U.S.-Flag Ships Needed for Defense

Rationale. Subsidies for the U.S. flag fleet have always been justified by their role in providing a sealift capacity for use in military emergencies. With the end of the Cold War DOD's sealift requirements have declined. Although DOD's bottom-up review is not complete, the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the Commander of the Transportation Command have already concluded that future requirements will not exceed 20–30 liner vessels. DOD will have no need for bulk vessels. All agencies therefore oppose renewal of direct subsidies for bulkers. This option would meet DOD's maximum military requirements.

Description. DOD would be directed to spend $60 million annually on contracts with ship operators to provide DOD with the services of up to 30 U.S.–flag liners in times of military need. New contracts would be phased–in as current subsidies expire or are terminated. *If U.S.–flag ships are subsidized through other means, such as Option 2 or Option 3, DOD would be allowed to spend its limited resources meeting more pressing defense requirements*.

Under this option, the Administration would oppose the expansion of indirect maritime subsidies. [Alternatively, the Administration could, as many agencies recommend, seek the phase–out of any indirect subsidies not required to meet a specific military need.]

Budget Cost. This option would subsidize U.S.–flag liner ships by reprogramming money already in the DOD budget (DOD plans to obtain the funds by retiring 29 breakbulk ships from the Ready Reserve Fleet). The option would be deficit neutral.

Arguments in favor:

- These subsidies would provide for genuine defense needs, and therefore would enjoy broad support.
- By subsidizing 30 of the 52 liners now under contract, this option would sustain 1,500 seafaring jobs and about 750 landside jobs.
- Indirect subsidies come at the expense of other U.S. industries and hinder the missions of other Executive Branch agencies.

Arguments Against:

- Provides less support than is sought by the industry and its supporters.

OPTION 2. Increase Direct and Indirect Subsidies to Maritime Interests

Rationale. This option is designed to keep most of the existing U.S.–flag liners in foreign trade sailing under the U.S. flag, regardless of defense needs.

Description. The option has four main elements:

1) *Increase to 79 from 52 the number of liner ships receiving direct payments.* DOT would be authorized to sign 10–year contracts at $2.5 million per ship per year in the first four years, and $2.0 million per ship per year in the last six years. In the first two years, new contracts would be limited by savings made available from the existing program.

2) *Allow non–subsidized, foreign–built vessels to receive subsidies.*

3) *Provide $200 million in FY94–96 for Title XI loan guarantees to U.S. shipyards.*

4) *Do not Oppose Congressional efforts to expand indirect maritime subsidies.*

Budget cost: Over 10 years, this option would increase mandatory outlays by $1.7 billion, while decreasing domestic discretionary outlays by $567 million.

Arguments in favor:

- This option contains subsidies for liners, bulkers, and shipyards in order to win support for the proposal from the widest range of maritime interests.

- Subsidizing 79 ships would sustain 4,000 seafaring jobs and about 2,000 landside jobs.

- Since foreign–built vessels may be less expensive, this option could reduce carriers' costs.

Arguments against:

- Subsidizing 79 vessels is unnecessary. This would be two to three times the maximum number of ships DOD estimates are needed to meet its sealift requirements.

- The NEC Principals found no evidence that this segment of the maritime industry was of strategic importance to the economy. The U.S. has no competitive advantage in the industry; the industry neither protects nor enhances U.S. exports. Subsidizing carriers simply to preserve jobs would leave the Administration hard pressed to explain why it should not also subsidize every other industry that suffers job losses.

- Immediate funding for Title XI loan guarantees is premature. All agencies, including DOT, support the efforts of the congressionally–mandated Working Group on the U.S. Shipbuilding Industry. The Working Group will present options to assist shipyards to the relevant Cabinet members later this summer (see TAB B).

- Greater indirect subsidies would come at the expense of other U.S. industries and hinder the missions of other Executive Branch agencies.

OPTION 3. Provide Direct Subsidies to a Limited Number of U.S.–Flag Liner Ships

Rationale. This compromise option is designed to subsidize a U.S.–flag fleet that will meet defense needs and, if desired, keep additional U.S.–flag vessels employed in the international trades. The option would limit the number of liners receiving subsidies to a range that could be more readily justified to critics -- between 30 ships (DOD's current estimate of its maximum need) and 52 ships (the number of liners currently under contract).

Description. Provide direct payments to between 30 and 52 liner ships. DOT would be authorized to sign 10–year contingency contracts providing $2.5 million per ship per year in the first four years, and $2.0 million per ship per year in the last six years. New contracts in the first two years would be limited to savings made available from the existing program.

Under this option, the Administration would oppose the expansion of any indirect maritime subsidies. [Alternatively, the Administration could, as many agencies recommend, seek the phase–out of any indirect subsidies not required to meet a specific military need.]

The Administration would oppose--as premature--funding for loan guarantees until NEC Principals consider options developed by the Working Group on U.S. Shipbuilding.

Budget Cost. Over ten years, direct subsidies for 30 ships would increase mandatory outlays by $500 million, while reducing domestic discretionary outlays by $358 million. Direct subsidies for 52 ships would increase mandatory outlays by $975 million and reduce domestic discretionary outlays by $358 million.

Arguments in favor:

- Would provide the industry with more money and longer contracts than Option 1
- This option would sustain 1,500–2,500 seafaring jobs and about 750–1,250 landside jobs
- Restricts or eliminates indirect subsidies that come at the expense of other industries or hinder the missions of other Departments.

Arguments against:

- Provides less support than sought by industry and its supporters.

RECOMMENDATIONS

Fifteen Executive Branch Agencies support Option 1. The Department of Transportation supports Option 2. A compromise proposal is provided by Option 3. In addition to the strengths and weaknesses of each option, these recommendations reflect different views about the economic and strategic importance of liner ships engaged in international trade, as well as the extent of Congressional support for maritime subsidies. These views are noted in TAB C.

DECISION

_____Approve Option 1

_____Approve Option 1 as amended

_____Approve Option 2

_____Approve Option 2 as amended

_____Approve Option 3

_____Approve Option 3 as amended

_____Take No Action

_____Discuss Further

TAB A: Background on Current Maritime Subsidies

The federal government now subsidizes ship operators through a variety of programs, including:

1) *Operating Differential Subsidies.* Under the ODS program, the federal government entered 20 year contracts with U.S.–flag operators. These contracts provided that the federal government would pay the difference between wages on U.S.–flag ships and wages on their principal competitor's foreign–flag ships; in some cases, the government also undertook to pay the differential on other costs such as maintenance and repair. ODS contracts now cover 52 liner ships and 28 bulk ships. ODS payments in 1993 are expected to total $244 million, for an average per ship subsidy of about $3.0 million.

   To qualify for ODS payments, vessels must meet a number of restrictions. ODS liners must:

   - be U.S.–built, U.S.–flag, and at least 51 percent owned by U.S. citizens.
   - provide service on "essential trade routes".
   - receive approval from the Maritime Administration before: altering trade routes; affiliating with foreign–flag service; leaving U.S.–flag service; or operating in domestic trades.

2) *Ocean Freight Differential (cargo preference) program.* Cargo preference laws require certain federal programs to ship between 50 and 100 percent of their cargo on U.S.–flag ships. OMB estimates that in 1993, cargo preference requirements will increase government shipping costs by about $590 million over world shipping rates. These costs will be borne by the Departments of Defense, Agriculture, Transportation, State, the Agency for International Development, and the Export–Import Bank.

3) *Capital Construction Funds (CCFs).* Owners of U.S.–flag, U.S.–built ships may shelter income by placing it in a CCF. Taxes on both the income placed in a CCF and the interest earned by the CCF are deferred indefinitely. CCF balances are now approximately $1.2 billion.

4) *Title XI.* Under this program, the federal government guarantees private loans made to the purchasers of U.S.–built ships. Loans were last guaranteed under this program in 1992. In 1993, $48 million was appropriated for the program, but no loans were guaranteed. No funds were requested for this program in the President's FY 1994 Budget. The government's outstanding contingent liability under this program now stands at about $2 billion.

5) *Jones Act.* Like most other seafaring nations, the U.S. provides cabotage for its ship operators––all domestic waterborne trade must be carried on U.S.–flag, U.S.–built ships. The Jones Act fleet accounts for about 50 percent of the privately–owned oceangoing U.S.–flag fleet.

6) *The Shipping Act of 1984.* Since 1916, the U.S. has allowed U.S. and foreign carriers serving U.S. trades to participate in international shipping cartels known as conferences. The Council of Economic Advisors and the Department of Justice estimate that the Act raises shipping prices at least 10 to 15 percent, providing U.S and foreign carriers with a subsidy valued at

$2–3 billion per year (because of their low market share, U.S. carriers receive only 20 percent of this subsidy). The Federal Maritime Commission disputes these results, and asserts that Conferences have little effect on long–term shipping prices.

Shippers continue to press for relief from strictures imposed by the Act, and are likely to try and block any new subsidies for carriers without some action to address their concerns. The law regulating conferences was last amended in 1984. In 1990, the Advisory Commission on Conferences in Ocean Shipping brought together carriers and shippers to seek consensus on further changes to the Act. No agreement was reached.

TAB B: U.S. Shipbuilding and Current Administration Efforts to Assist the Industry

Large U.S. shipyards are now almost completely dependent on the Navy. Of the 87 ships currently on order or under construction, 86 are for the Navy. With the drawdown in defense spending, naval orders are expected to decline substantially. The problems faced by U.S. shipyards are thus similar to those faced by other defense contractors--namely, how to shift from military to civilian production.

The U.S. industry is currently not competitive in the global market. It is less efficient than its foreign competitors and has had little experience in the commercial market since the early 1980s when the U.S. ended construction differential subsidies and increased naval orders. U.S. yards are also disadvantaged by the subsidies granted by foreign governments to their own shipyards. As a result, U.S.-built ships are more expensive than foreign-built ships. According to the ITC, price differentials have reached 100 percent.

The Bureau of Labor Statistics estimates that U.S. shipyards employed 123,900 workers in 1992 (down from 171,600 in 1982). The shipbuilding industry estimates that, absent government assistance, 70,000 more shipbuilding jobs could be lost. Even with government assistance, however, shipbuilders estimate that the transition from military to civilian production will lead to a loss of 20 percent of current employees as some skills will no longer be needed.

Actions Currently Underway by the Administration. All agencies support the following Administration efforts now underway:

1. Seek to Reinvigorate Negotiations to Eliminate Foreign Shipbuilding Subsidies. U.S. negotiators are currently engaged in efforts to restart negotiations on the elimination of foreign subsidies. The elimination of such subsidies has been one of the key objectives of the U.S. shipbuilding industry.

2. Explore the Possibility of Working with Congress on Legislation to Support this Effort. In the last Congress, bills were introduced in both the House and the Senate providing the means to retaliate against ship carriers who purchased subsidized foreign-built vessels. These measures are intended to speed multinational agreement on the elimination of foreign shipbuilding subsidies. Agencies are exploring the possibility of working with Congress on legislation this year.

3. Prepare Congressionally-Mandated Plan for the U.S. Shipbuilding Industry The FY 1993 National Defense Authorization Act required the Administration to establish a working group charged with preparing a plan to help U.S. shipbuilding industry become competitive in international commercial markets. The working group is considering a series of measures, including the use of Title XI loan guarantees for ship construction, defense conversion funds, ARPA R&D projects, and Export-Import financing. The group will present its proposals to the relevant Cabinet members this summer, so that the Administration can submit a plan to the Congress by the statutory deadline of October 1, 1993.

TAB C: Differing Views on U.S.-Flag Ships Engaged in Foreign Trade

Political Concerns

1) *Strength of Congressional Support*: Secretary Peña believes there to be broad, bipartisan Congressional support for maritime subsidies. The Secretary believes that maritime supporters have enough votes to pass a maximalist package without support from the Administration. If you do not announce such a package now, the Secretary fears that you will lose an opportunity to demonstrate leadership.

   The Director of OMB disagrees with this assessment. In the current budget environment, he believes that there will be far less support for direct and indirect maritime subsidies. He argues that Congress might even reduce the level of subsidies, including those indirect subsidies that come at the expense of other industries, such as agriculture and manufacturing.

2) *The Political Cost of Delay.* A number of maritime bills have been introduced in Congress. To date, the Administration has delayed taking a position on these bills pending the completion of its review of maritime policies. Secretary Peña believes that further delay will generate ill feelings on the Hill.

3) *Congress will Support Subsidies to Ship Operators Only if Immediate Subsidies are Provided to Shipyards.* Secretary Peña believes that no new direct subsidy program can pass in Congress without including immediate new funding for shipyards.

Economic Concerns

1) DOT: Without a U.S.-flag fleet engaged in foreign trade, U.S. exporters would be held hostage to the fleet of nations with which we might have trade disputes.

   Other Agencies: The worldwide carrier industry is highly competitive, making the possibility of being held hostage highly remote. Moreover, U.S. exporters will always be able to ship cargo on U.S.-owned, foreign-flagged ships (although these ships have foreign crews, they are owned and controlled by U.S. interests).

   The Alliance for Competitive Transport, the coalition of major American exporters and importers, has made clear that it does not believe that its interests would be harmed by the reflagging of the Merchant Marine as long as the ships remained U.S. owned and controlled.

2) DOT: A new ten-year program will lead to increased efficiencies in the Merchant Marine that will make further subsidies unnecessary.

   Other Agencies: Subsidies are needed principally to offset the higher wages of U.S. mariners. DOT has presented no evidence that this program would eliminate the wage differential between U.S. carriers and their foreign competitors.

3) DOT: The government must subsidize more ships than it needs for defense purposes or risk crippling the commercial shipping industry in times of military emergency.

   Other Agencies: U.S. ship operators will enter contingency contracts only if they believe that yielding their ships to the government in times of emergency will not cripple their commercial operations. If their ships were used during emergencies, ship operators would continue operations through their U.S. owned, foreign–flag affiliates, and by contracting out to foreign owned companies.

4) Department of Transportation: Some maritime supporters will argue that DOD is not meeting its defense needs in the most cost–effective manner. Critics will claim that DOD plans to spend $6–7 billion over the next few years to purchase "roll–on, roll–off" (RORO) ships with a sealift capacity that could be purchased more cheaply through subsidies to maintain a large U.S.–flag Merchant Marine.

   Department of Defense: DOD will spend $4.5 billion between now and the year 2000 to acquire RORO ships. However, these ROROs are not available in the current commercial fleet, nor would these ships become available under any new liner subsidy program. ROROs are specialized ships that allow rapid loading/unloading of vehicles and can achieve high speed on the open ocean. Reliance on the Merchant Marine to serve the specialized function of ROROs would seriously compromise DOD's ability to deploy U.S. forces in time to meet anticipated threats overseas.

THE WHITE HOUSE
WASHINGTON

Sott. 1215

366-1100
Julie
w/ Pena

Rm

U.S. Department of Transportation
Office of the Secretary of Transportation

400 Seventh St., S.W.
Washington, D.C. 20590

FAX TRANSMISSION COVER

Date: 7 / 3 / 93

TO: John Podesta, Assistant to the President and Staff Secretary

FAX: 456-2215

FROM: Federico Peña

(202) 366-1100
(202) 366-3956 (fax)

Number of pages to follow: 3

Comments:

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

July 3, 1993

MEMORANDUM FOR THE PRESIDENT
The White House

FROM: Federico Peña

SUBJECT: Trip to Mississipi River System, July 2, 1993

On Friday, I spent the day assessing the impact of the flooding along the Mississippi on the transportation system and regional economy. At St. Louis, I was joined by Mayor Bosley and Congressman Dick Durbin to survey the situation along the downtown riverfront. Accompanied by representatives of the inland barge industry, we then flew 300 miles north following the river to the Quad Cities area. We overflew the Quad Cities in a U.S. Coast Guard helicopter and then joined with the U.S. Army Corps of Engineers, Coast Guard and local officials to survey the flooding along the Moline waterfront.

In my conversations with local officials and in my comments to the media, I focused on three areas:

1. The impact of the flooding on the national transportation system and on the regional economy.

2. The Administration and the Department of Transportation's efforts to assure that the Coast Guard and the Corps of Engineers would have the resources needed to restore navigation on the river as quickly as possible, once the river subsides.

3. Swift currents and floating debris pose a serious danger to recreational boaters. People should stay off the river until the Coast Guard declares it safe.

__Transportation Situation as of July 2, 1993__

__Air:__ Water is receding from the South St. Paul Municipal Airport, a general aviation airport. The airport should be operational for limited use by July 9.

Rail: Burlington Northern (BN) -- Water is over the tracks along the Mississippi River between Burlington, IA, and Hannibal, MO. Traffic is being rerouted. Mud slides and local washouts have halted service between Kansas City, MO, and West Quincy, MO.

Chicago and North Western (C&NW) -- The mainline between Mankato, MN, and the Twin Cities is out of service with several washouts.

SOO Line -- The line between La Crosse, WI, and Marquette, IA, is closed. Rail traffic is halted in Iowa along the river between Muscatine, Davenport, Dubuque, and Marquette.

Norfolk Southern (NS) -- The Kansas City-Detroit and Kansas City-Chicago routes are closed at Hannibal, MO, where the railroad crosses the Mississippi River.

Amtrak -- Amtrak continues to operate without any significant passenger service interruption.

Highways: State Police have closed the U.S. 36 bridge at Hannibal, MO; the U.S. 54 bridge at Louisiana, MO; and the U.S. 24 bridge at Quincy, IL, due to flooding on the approaches. This leaves no highway crossings of the Mississippi from Keokuk, IA, to Alton, IL. No Interstate highways are closed. Minnesota may request Emergency Relief funding, although damage is expected to total less than $1 million.

Marine: The Coast Guard, in conjunction with the Army Corps of Engineers, and the shipping industry, made the joint determination to close the Mississippi River to commercial traffic along 406 miles of the river from Minneapolis-St. Paul, MN, to St. Louis, MO, because of unsafe water conditions. The current situation is anticipated to hold for at least two weeks.

There are at least 1,000 barges being held up on the upper Mississippi River (above St. Louis). It could be several weeks before these barges can begin moving to their destinations.

The Coast Guard is also monitoring the river for oil spills and hazardous materials which may be carried over from the high water conditions.

Economic Impact

The Mississippi River's cargo system transports three fourths of all U.S. corn exported throughout the world. About 90 million tons of cargo are shipped in the upper Mississippi River per year. Of the 17,000 barges working in the western rivers, about 1,000 are tied up or immobile and within two weeks, up to 20% of barges could be immobile. (To the lay person, 1,000 barges is equal to 60,000 trucks stalled on a major U.S. Interstate ... a massive problem.) Unofficial estimates indicate losses of $1 million per day to the cargo industry. Cargo typically shipped includes: corn, wheat, soybeans, coal, fertilizer, and industrial raw materials. Recreational uses are also halted. If rains continue within the next two weeks and the river does not subside, there could be an economic impact on the Port of New Orleans. **This is the most serious transportation problem caused by the flooding along the Mississippi.**

Possible Requests for Federal Assistance

- o At the present time, the Coast Guard and the Corps of Engineers anticipate that there are sufficient resources available to open the river quickly once the waters begin to recede. After the system is restored and commerce is renewed, there may be a need for additional buoys and equipment to replenish what was expended or lost.

- o The barge industry representatives, while not requesting immediate assistance, did urge the Administration to make efforts to speed up the shipments of grain to Russia. This is important to help blunt the economic losses caused by the flooding.

- o As noted previously, states may request some highway funds to repair secondary roads.

Finally, Mr. President, you should be aware that the Coast Guard, Coast Guard Reserves, and the Coast Guard Auxiliary are working closely with the Corps of Engineers and local law enforcement officials to ensure the safety of those using the waterways impacted by the high water. Many citizens have volunteered to place sand bags along the river to protect their communities and they should be publicly recognized and congratulated.

The Department of Transportation will continue to monitor the condition of the river on a daily basis.

Chron!

THE WHITE HOUSE
WASHINGTON

DATE: 7/5

NOTE FOR: Mack

The President has reviewed the attached, and it is forwarded to you for your:

Information ☐

Action ☑

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE WHITE HOUSE

WASHINGTON

July 3, 1993

not copied (detached from rest)

MEMORANDUM TO THE PRESIDENT

FROM: TODD STERN

SUBJECT: Disaster Assistance for Upper Midwest Farmers

Attached for your signature is a transmittal letter to release $100 million in emergency disaster funds for farmers in the Upper Midwest, together with memos from Leon Panetta and Secretary Espy on a broader set of actions responding to the recent flooding in the Upper Midwest. OMB and USDA concur on three out of four steps that USDA urges you to announce on your trip to Iowa tomorrow (including release of the $100 million).

The point of disagreement is USDA's recommendation that you announce the Administration's intent to ask Congress for $850 million in additional emergency disaster payments -- over and above the $100 million and the new amounts made available in the new FY 1993 Supplemental that you signed last night. USDA also argues for restoration of DoA's authority to use Commodity Credit Corporation funds to make disaster payments.

Noting that Upper Midwest losses could exceed $1 billion, USDA argues that these additional actions are necessary to ensure the same level of assistance was provided during Hurricane Andrew.

OMB argues that (i) the request for a specific dollar amount is premature, since early damage estimates for the Upper Midwest range from $300 million to $1 billion; (ii) the request is too broad, covering nationwide losses back to 1990 plus future losses in 1993; and (iii) reliance on CCC borrowing could substantially drive up the budget deficit.

OMB proposes instead that you reiterate your instructions to Secretary Espy to formulate a proposal -- ready for congressional consideration when Congress returns July 13 -- that will provide disaster relief for Upper Midwest farmers comparable to Hurricane Andrew levels, but without the problems OMB identify's in USDA's current proposal.

Agree with OMB [ ]   Agree with USDA [ ]   Discuss [✓]

I can't tell from this

THE PRESIDENT HAS SEEN 7/4

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

THE DIRECTOR

July 3, 1993

Mack
I talked to UPM Tay
Pls see him

MEMORANDUM TO THE PRESIDENT

From: Leon E. Panetta

Subject: Disaster Assistance for Farmers in the Upper Midwest - Decision

OMB has reviewed Secretary Espy's July 2nd memorandum to you on proposed USDA actions and funding to address the emergency farm situation in the Upper Midwest due to the recent heavy rains and flooding in that area.

There are five action steps to be considered. OMB concurs in the first three actions described on page 2 of Secretary Espy's memorandum:

1. Take immediate steps within current authorities to assist affected farmers.

2. Release the remaining $100 million in disaster contingency funds. The required release statement is attached for your signature.

3. Sign the enrolled FY 1993 Supplemental Appropriations Act that includes additional disaster payments for 1993 crops. The bill and a proposed signing statement were sent to the White House yesterday.

On the fourth action step, OMB and USDA agree on the objective of providing disaster payments at a coverage level consistent with that received by farmers affected by Hurricane Andrew last year. However, OMB does not concur with the specific proposal outlined by Secretary Espy -- to state the Administration's intent to ask Congress, at this time, for $850 million in additional emergency disaster payments (plus the use of borrowing authority if this level of funding is insufficient).

OMB opposes USDA's proposed appropriations request for several reasons.

First, the request for a specific dollar appropriation is premature. The extent of the damage from the Upper Midwest flooding is not well defined at the present time. Qualified loss estimates range from $300 million to near $1 billion.

Second, the request is too broad. It would cover not only Upper Midwest losses, but also losses nationwide going back to 1990 and any other future 1993 losses. In the Supplemental now before you, Congress extended coverage for these years to non-traditional crop losses, but decided to fund the related disaster payments at a level below the Hurricane Andrew coverage. The USDA proposal would increase that funding.

Third, USDA's original proposal for the Upper Midwest would have authorized immediate, open-ended use of its Commodity Credit Corporation (CCC) borrowing authority from the Treasury to pay this broad range of disaster coverage. OMB is strongly opposed to any immediate, unrestricted reliance on CCC borrowing to pay disaster assistance to farmers. This would substantially increase the uncontrollable nature of the Federal budget and drive the deficit up correspondingly. In fact, in the Supplemental, Congress explicitly withdrew USDA's authority to use its CCC borrowing authority for these cases.

As an alternative to USDA's fourth action step, OMB recommends that you:

4. Reiterate your instructions this week to Secretary Espy to formulate a proposal to Congress for supplemental disaster assistance targeted to the Upper Midwest, which would provide benefits comparable to the Hurricane Andrew coverage. This should be ready for congressional consideration when Congress returns on July 13th.

As a final action step, OMB and USDA concur that you:

5. Direct the Administration to work with Congress over the coming months to reform the existing USDA crop insurance program to make it a workable program that will reduce the need for annual disaster payments. Such a proposal was contained in the April 8th Budget and is under active consideration in Congress.

If you agree with our approach in the five steps outlined above, OMB will begin work immediately with USDA on a targeted disaster assistance package for the Upper Midwest and reform of the crop insurance program.

DECISION:

Agree with OMB approach ________ Other; let's discuss ________

Attachment

THE WHITE HOUSE

WASHINGTON

not copied (detached from rest)

The Speaker of the

House of Representatives

Sir:

In accordance with provisions of Public Law 102-368, the Dire Emergency Supplemental Appropriations Act, 1992, and the Supplemental Appropriations Act of 1993, I hereby make available appropriations of $100,000,000 in budget authority for the Department of Agriculture's Commodity Credit Corporation disaster assistance program. These funds will provide disaster assistance to address losses from recent natural disasters, such as those resulting from heavy rains in the Midwest.

I designate the amounts made available as emergency requirements pursuant to section 251(b) (2) (D) (i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

The enclosed letter from the Director of the Office of Management and Budget provides additional information regarding the request.

Sincerely,

William J. Clinton

Enclosure

Estimate No.______________
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

THE DIRECTOR

The President

The White House

Submitted for your consideration is a request to make available $100 million in FY 1993 emergency appropriations for the Department of Agriculture. This request, in the form of your transmittal to the Speaker of the House of Representatives, would make available previously appropriated funds to provide assistance to victims of recent natural disasters.

The funds proposed to be made available were appropriated in P.L. 102-368, the FY 1992 Dire Emergency Supplemental Appropriations Act. The Supplemental Appropriations Act of 1993 makes the funds available to producers of 1990, 1991, 1992, and 1993 crops of agricultural commodities for losses of production due to the deterioration of the quality of such commodities caused by natural disasters, as determined by the Commodity Credit Corporation prior to August 1, 1993.

The funds were made available contingent upon the President submitting a budget request to the Congress and designating the amount requested as an emergency requirement. No further Congressional action will be required.

Recent losses sustained from natural disasters, such as those due to heavy rains and flooding in the Midwest, make it necessary to release these disaster assistance funds at this time. I recommend that you designate this release as an emergency requirement in accordance with applicable provisions of the Budget Enforcement Act. Therefore, I join the Secretary of Agriculture in recommending that you make the funds requested available by signing the enclosed letter to the Speaker of the House of Representatives.

Sincerely,

Leon E. Panetta
Director

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

July 2, 1993

MEMORANDUM TO THE PRESIDENT

FROM: Mike Espy ME

SUBJECT: Disaster Assistance for Farmers in the Upper Midwest

As you instructed, we are moving aggressively to bring relief to farmers and rural residents in the Upper Midwest who are suffering from the damages caused by heavy rains and flooding throughout that area. As you know, it is a devastating situation. Fields are flooded. Many farmers have been prevented from planting their crops and their prospects for doing so in the foreseeable future are limited or nonexistent. Losses to the agricultural sector could exceed $1 billion, and there could be a substantial risk of farmers going out of business unless significant Federal assistance is provided.

I am prepared today to announce a series of actions which USDA, at your direction, can take within its current legal authorities to adapt USDA programs to the urgency of this situation. A listing of these actions is attached. In addition, I have identified the details of further actions that you could announce in Iowa on Sunday, July 4. This includes action to make available immediate funds as well as work to secure additional funds to meet the needs of farmers for disaster payments. There is $100 million available subject to your release, and we recommend your immediate action to release those funds.

However, additional funds and authorities will also be required. The Supplemental Appropriations Bill, which has passed the Congress and will be presented to you shortly for signature, expands the availability of disaster payments. The bill covers 1993 crop losses through August 1, 1993. This date is a problem because the logistics involved in estimating losses and running an orderly claims process by that date, given the current conditions on the ground, would be extremely difficult. Furthermore, it is also possible that there will be subsequent disasters affecting 1993 crops where it will be necessary to provide such assistance. Without the removal of the August 1, 1993 date, we may be unable to fully assist the farmers in the Midwestern flood disaster as well as respond to future crop disasters in 1993. We therefore recommend that you ask the Congress to repeal this deadline.

Another problem with the Supplemental Appropriations Bill is that it repeals our authority to use the funds of the Commodity Credit Corporation to make disaster payments. The Congress is repealing this authority because, under current rules, the use of this authority would be "scored" against the budget. Clearly, additional funding will be needed to assist in this emergency. I, therefore, recommend that you ask the Congress to provide up to $850 million, of which $100 million would be available only upon a Presidential request, and that our authority to use the funds of the Commodity Credit Corporation be restored to ensure that we will be able to provide disaster assistance at the same 50 percent coverage level that we provided during Hurricane Andrew and other recent disasters. This would make it possible for the Congress to move quickly on this matter.

If you agree with these recommendations, I have attached a proposed letter to the Congress and the necessary legal language.

In summary, on your trip to Iowa, you would be in a position to:

1. State that you are taking immediate steps within our current authorities to address this problem and assist farmers in this disaster.

2. Announce the release of the remaining $100 million in disaster funds.

3. Announce that you will immediately sign, upon receipt, the Supplemental Appropriations Bill which includes provisions to provide disaster payments for 1993 crops.

4. Announce that you are asking the Congress, on an emergency basis, to authorize additional funding so that these producers will receive the same benefits as those affected by Hurricane Andrew and other major disasters during the past year, and to eliminate the August 1 deadline so that the relief effort can proceed in an orderly way.

Attachments

ASCS FARM PROGRAM CHANGES

- **Waiver of Minimum Size and Width Requirements.** Producers will be permitted to designate small wet acres (minimum size .1 acre) as acreage conservation reserve (ACR) or conserving use (CU) acres. Currently, the minimum size is 5 acres. This will increase a producer's flexibility in dealing with the abnormal weather conditions.

- **Availability of 0/92 Program.** Availability of 0/92 program for farmers who have enrolled in the program that have been prevented from planting or have failed acres are eligible to participate in the 0/92 program. Producers will have until July 31 to select this program option.

- **Extend Time for Requesting Prevented Planted Credit.** The prevented planting deadline will be extended. Producers will therefore have until July 31 to file a request for prevented planted credit. This action will provide farmers with additional time to make such a request.

- **Extend Crop Reporting Dates.** The reporting dates for spring seeded crops is being extended to July 31 in States affected by the unprecedented adverse weather conditions. The window of opportunity for producers to make program choices, such as the 0/92 program, is extended with this action.

- **Refund of Advanced Deficiency Payments.** When producers are prevented from planting corn and opt out of the program to plant soybeans, any advanced deficiency payments will be due. Affected producers will be allowed to refund the unearned payments within 30 days or arrangements can be made to repay in installments at the lowest allowable interest rates. This action provides repayment under reasonable terms. Waiver of the refund of these advance deficiency payments is prohibited by law.

- **Coordinated Services.** I have directed the Federal farm service agencies to coordinate their activities in this effort to expedite service to producers.

FMHA DISASTER ASSISTANCE

Farmer Programs

- FmHA will be making available emergency loans for physical losses to pay for replacement of buildings, equipment, livestock and supplies lost, to the extent that insurance proceeds will not cover the loss. Current loan terms are 4.5 percent interest with up to a 40-year repayment period.

- Emergency loans will be made available and can be made for production losses to cover a shortfall in income, due to reductions in production as a result of the disaster. Loan funds can be used to pay creditors, buy feed and pay operating and family living expenses. To qualify, an individual must have at least a 30 percent loss on 1 crop or livestock enterprise. The loan amount will be 80 percent of the loss amount with terms of 4½ percent interest, up to 20 years.

- FmHA will provide loan guarantees, with up to a 4 percent interest subsidy, can be made for operating and real estate purposes (purchase or refinance feed, seed, fertilizer, livestock, supplies, etc.). Terms are negotiated with the lender.

- FmHA will also make available direct operating and real estate loans to farmers at regular or limited resource rates.

- Loans which cannot be repaid may be restructured at limited resource rates and maximum terms. If necessary, up to $300,000 of FmHA debt can be written off to create a positive cash flow for the farmer. Payments may be deferred up to 5 years.

- FmHA is prepared to waive various administrative requirements in disaster areas in order to facilitate and streamline loan processing. FmHA will work closely and coordinate with other Federal agencies in providing these Federal resources.

Rural Housing

- FmHA will authorize a moratorium on FmHA housing loan payments to assist borrowers whose homes or employment have been impacted in disaster area.

- FmHA will authorize use of single family housing inventory property to be made available to displaced families on a short-term basis.

- FmHA will make available vacant 515 multi-family units to displaced families on a short-term basis.

- Reserve loan funds in the amount of $2 million for those borrowers who are not covered by insurance, FEMA or SBA will be made available.

Community and Business Assistance

- Program authorizations can be utilized in Presidentially declared natural disaster situations. Under these authorizations, the Rural Development Administration (RDA) could provide loan and grant assistance for water and waste disposal systems and business and industry purposes. These authorities are limited to the repair and rehabilitation of actual uninsured losses not covered by assistance from FEMA.

- Community and business assistance under RDA's on-going programs may also be provided in disaster areas.

Honorable Thomas S. Foley
Speaker of the House of
Representatives
The Capitol, Room H-204
Washington, D.C. 20515

Dear Mr. Speaker:

I am writing to request your urgent consideration of emergency disaster legislation to assist farmers who have or will suffer crop losses due to flooding and other adverse weather conditions during 1993. Both Secretary Espy and I have traveled to the Midwest to see first hand the devastation caused by the rains and flooding to this major agricultural producing area. Many farmers have been prevented from planting their crops, particularly corn and soybeans. Losses of income in the agricultural sector could exceed $1.0 billion and there could be a substantial risk of farmers going out of business unless additional Federal assistance is provided through the legislation I am proposing.

We are exerting maximum efforts using existing authorities to assist farmers and others affected by these adverse weather conditions. We will be making emergency shelter available, providing low interest loans, restructuring existing loans that cannot be repaid, and expediting Federal emergency assistance programs and procedures. We will also immediately implement the 1993 supplemental appropriations legislation that the Congress passed on July 1, 1993, to make use of any remaining funds from previous disaster appropriations and apply those funds to eligible 1993 crop losses and the other losses specified in the legislation. Currently, about $300 million remain available for these purposes. In addition to these funds, I am also releasing $100 million in emergency disaster funds provided under P.L. 102-368 subject to an official budget request and designation of the amount as an emergency requirement. While these funds will provide some immediate relief to farmers, only a very small percentage of their claims for losses will be covered. To bring this percentage of coverage up to a level of 50 percent of eligible claims, I am proposing legislation to amend the pending enacted 1993 Supplemental Appropriations Act to provide an additional $850 million, of which $100 million would be available only upon a Presidential request, and that our authority to use the funds of the Commodity Credit Corporation be restored. This level of disaster coverage would be consistent with coverage provided for 1990, 1991, and 1992 crop losses.

I hereby designate this request an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

Your prompt action on this legislation will be greatly appreciated. A similar letter has been sent to the President of the Senate.

Sincerely,

William J. Clinton

Honorable Albert Gore, Jr.
President of the Senate
The Capitol, Room S 212
Washington, D.C. 20510

Dear Mr. President:

I am writing to request your urgent consideration of emergency disaster legislation to assist farmers who have or will suffer crop losses due to flooding and other adverse weather conditions during 1993. Both Secretary Espy and I have traveled to the Midwest to see first hand the devastation caused by the rains and flooding to this major agricultural producing area. Many farmers have been prevented from planting their crops, particularly corn and soybeans. Losses of income in the agricultural sector could exceed $1.0 billion and there could be a substantial risk of farmers going out of business unless additional Federal assistance is provided through the legislation I am proposing.

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I hereby designate this request an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

Your prompt action on this legislation will be greatly appreciated. A similar letter has been sent to the Speaker of the House.

Sincerely,

William J. Clinton

Amendment to H.R. 2118
A Bill Making Supplemental
Appropriations for the Fiscal Year
ending September 30, 1993

Chapter 1 of H.R. 2118 is amended under the heading "Commodity Credit Corporation" by--

(1) deleting in the introductory text "prior to August 1, 1993, and for which the Secretary has received claims by August 1, 1993";

(2) deleting in the first proviso "which occurred prior to August 1, 1993, and for which the Secretary has received claims by August 1, 1993"; and

(3) deleting the seventh proviso and inserting in lieu thereof the following:

> ": Provided further, That an additional $850 million is appropriated for the "Commodity Credit Corporation Fund" to cover such crop losses associated with natural disasters, of which $100 million shall be available only to the extent an official budget request, for a specific dollar amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, is transmitted by the President to the Congress, to remain available until expended: Provided further, That if the total amount of funds made available under this Act is insufficient to result in payment to affected producers at the same proportionate rate used in making payments under Public Law 102-229 and Public Law 102-368, the Secretary of Agriculture may use such funds of the Commodity Credit Corporation, to remain available until expended, as are necessary to make payments, to the maximum extent practicable, at the same proportionate rate: Provided further, That Congress hereby designates the entire amount provided herein as an emergency requirement for all purposes of the Balanced Budget and Emergency Deficit Control Act of 1985:".

chron

THE WHITE HOUSE
WASHINGTON

DATE: 7/5

NOTE FOR: David Gergen

The President has reviewed the attached, and it is forwarded to you for your:

[redacted]

- **Information** ☑
- **Action** ☐

ATTACH KUNIN MEMO

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE PRESIDENT HAS SEEN 7/4

CITY OF BALTIMORE

KURT L. SCHMOKE, Mayor

OFFICE OF THE MAYOR

250 City Hall
Baltimore, Maryland 21202

July 1, 1993

George
— Mack in Kansas
made same suggestion
— should discuss w/ Reno
B.

The Honorable William J. Clinton
President
The White House
Washington, DC 20500

Dear President Clinton:

I write to urge you to convene a domestic policy summit focused on the issue of violence in America.

Several weeks ago I joined in a conference call with you and many of our nation's mayors when you announced your proposal for empowerment zones. At that time I raised with you our concerns about the increasing levels of violence in our cities. You indicated that the Justice Department would play a meaningful role in the development of strategies designed to improve the quality of life for those living and working in those empowerment zones and in our cities in general.

There is a desperate need for short term and long term actions to reverse the escalation in violence that has gripped cities from one end of this country to another. For certain groups of young men in the United States, the chances of getting killed on the streets of their cities are far greater than were their chances of being killed during Operation Desert Storm. We face a national emergency that is a greater threat to the future of this country than is the adventurism of foreign governments such as the one in Iraq. Violence in America is the enemy within and we must defeat that enemy now.

Mr. President, I urge you to take the necessary steps to develop a national strategy to combat violence. Clearly, the Attorney General has articulated things that need to be done in the long term that will positively impact the lives of America's children. However, in the short run we must consider action such as the following:

1) Convert a selected number of military bases scheduled to be closed as correctional facilities for violent offenders and employ military personnel or former military personnel to operate these facilities;

2) Target your revised economic stimulus package on the issue of youth employment and permit local government to use the money not only for summer jobs but also for year round jobs in order to combat the high school drop-out problem;

3) Provide cities with the 100,000 police officers promised during your campaign;

4) Convene a summit on violence and charge the participants to rethink current national policies on handguns, narcotics, corrections and other issues that have an impact on local law enforcement effectiveness.

I believe that with your strong leadership we can develop strategies that will bring peace to our nation's streets and restore hope where there is now fear. I look forward to hearing from you on this matter.

Sincerely,

Kurt Schmoke

Mayor

KLS:smf

THE WHITE HOUSE
WASHINGTON

[redacted]

June 30, 1993

MR. PRESIDENT:

Attached is a memorandum from Deputy Secretary Kunin recommending that you consider appointing a National Commission on the Prevention of Violence. Carol Rasco has seen this, and thought you should consider Madeleine's idea.

jpr
R. Paul Richard

[redacted]

Reno

I think this has merit — ask HRC — should also ask Reno — may conflict w/ what she wants to do — B

[redacted]

THE PRESIDENT HAS SEEN 9/30

UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

93 JUN 28 P3:13

June 23, 1993

MEMORANDUM

TO: President and Mrs. Bill Clinton

FROM: Madeleine M. Kunin

SUBJECT: National Commission on Violence Prevention

I would like to suggest that you appoint a national commission on the Prevention of Violence to examine the causes of violence in the family, the school, and the community.

I know of no other question that grips Americans more powerfully than the growing pervasiveness of violence in our society. It affects our sense of security and erodes our optimism.

I understand that you may question the effectiveness of such a commission. In this case, I believe a commission would not be seen as an excuse for inaction, but rather as a serious effort to probe a disturbing phenomenon and thereby, shed light, as well as help direct future public policy. It would demonstrate that the President is sensitive to our deepest concerns.

Establishing some of the causes of violence will not be an easy task, but the process of initiating an open discussion will permit the administration to emphasize the importance of family and community. I believe the public wants to know that the President and other public figures share their fears and will do everything in their power to strengthen their sense of security.

The increased incidents of violence reveal that the center is not holding, that society is more frayed than we would like to believe. As a result, I believe there is a strong desire to find ways in which we can reweave the social fabric.

I suggest that the Commission be chaired by Attorney General Janet Reno, or Marion Wright Edelman.

Participants should include some members of the cabinet, such as Justice, Education and Health and Human Services, Tipper Gore, as well as parents, women's groups, civil rights groups, academicians, theologians and philosophers. For example, Michael Lerner of Tikkun would make an excellent contribution.

I greatly appreciate your consideration of this suggestion and would be pleased to explore it further if you so desire.

cc: Richard Riley
Mike Smith
Ray Cortines